DOCTOR OF PHILOSOPHY

The impact of IFRS 8 on segmental reporting by Jordanian Listed Companies

an analysis of disclosure practices and some stakeholders' perceptions

Mardini, Ghassan H.

Award date:
2012

The impact of IFRS 8 on segmental reporting by Jordanian Listed Companies

an analysis of disclosure practices and some stakeholders' perceptions

Ghassan H. Mardini

2012

University of Dundee

The Impact of IFRS 8 on Segmental Reporting by Jordanian Listed Companies: An Analysis of Disclosure Practices and Some Stakeholders' Perceptions

Ghassan H.Mardini

A Thesis Submitted to the University of Dundee in Fulfilment of the Requirements for the Award of the Degree of Doctor of Philosophy

School of Business
University of Dundee
Dundee, Scotland
United Kingdom

May 2012

Dedication

To my parents Hani & Ghada, my big brother Samer and his family; and my young brother Hussam and his family

Publications

The following is a publication by the candidate, which is a direct product from this PhD Thesis:

Mardini, G, H. Crawford, L. and Power, D, M. (2012) The Impact of IFRS 8 on Disclosure Practices of Jordanian Listed Companies. *Journal of Accounting in Emerging Economics*, 2, 1, 67-90.

Table of Contents

Pages

List of Tables

Pages

List of Figures

Pages

Acknowledgments

First, I am grateful to my supervisors, Professor David Power and Dr. Louise Crawford for their constant encouragement, patience, time and guidance throughout the conduct of this study. Their invaluable comments and suggestions were responsible for helping me to undertake the study reported in this thesis.

Second, my thanks go to all of the interviewees who participated in this research for their invaluable contribution to the current thesis. I also want to thank Mr. Nader Azar, Mr. Firas Albqaeen, Mr. Hussam Batarseh, Mr. Bahjat Sahawneh, Mr. Riad Bierouty, Mr. Shihab Bierouty and Mrs. Rihab Bierouty who aided in the arrangement of appointments with most of the interviewees in this study. In addition, my sincere thanks go to all individuals who have contributed to this thesis but whom I have inadvertently omitted; my gratitude for your efforts.

Third, I would like to express my gratitude to my fellow postgraduate colleagues who have helped me and given constructive comments during my PhD. I would particularly like to thank Abdalnaser, Abdulaziz, Abubaker, Ahmad, Chanda, Justin, Khalid O., Maria, Moftah, Mohammad H., Mohammad O. and Yasean.

Last but not least, I want to express my greatest appreciation to my mother, father and brothers for their support and encouragement thought my years of study.

Thank you all…

Declaration

I hereby declare that I am the author of this thesis, that the work of which this thesis is a record has been done by myself, and that is has not previously been accepted for a higher degree.

Signed…………………………………… Date…………………………………….

Ghassan H.Mardini

Certificate

We certify that Ghassan H.Mardini has worked the equivalent of three years on this research, and that the conditions of the relevant ordinance and regulation have been fulfilled.

Signed…………………………………… Date…………………………………….

Prof. David Power

Signed…………………………………… Date…………………………………….

Dr. Louise Crawford

Abstract

The International Accounting Standards Board (IASB) issued International Financial Reporting Standard No. 8 (IFRS 8) "Operating Segments" in November 2006 as a part of its convergence programme with the Financial Accounting Standards Board (FASB); the new standard became effective for periods beginning on or after 1/January/2009 (IASB, 2006a). IFRS 8 supersedes the previous international accounting standard (IAS): IAS 14 Revised (IAS 14R) "Segment Reporting" (IASC, 1997). IFRS 8 requires segments to be identified in accordance with the management approach. In particular, operating segments are to be identified on the basis of internal reports that are "regularly reviewed by the Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance" (IASB, 2006a, para 5). There are two main objectives to this study: (i) to assess the impact of IFRS 8 on the segmental disclosures of Jordanian listed firms in their annual reports for 2009 when the standard became effective; and (ii) to explore the perceptions of external auditors, preparers and users (investors and analysts) of financial statements about this new segmental reporting standard. A decision usefulness theoretical framework underpins the research; the research was carried out by using a disclosure index analysis and semi-structured interviews. The two objectives of this thesis were investigated by employing these two methods; a disclosure index and semi-structured interviews. The research is located in Burrell and Morgan's (1979) functionalist paradigm using a decision usefulness theory lens.

The findings suggest that IFRS 8 has had a significant and sizeable impact on the segmental disclosure practices of Jordanian companies in 2009 compared to disclosure practices in annual reports for 2008 based on IAS 14R; a sample of reports for 109 first market Jordanian listed companies were investigated. The disclosure index findings indicate that the Jordanian listed companies provided more disaggregated segmental information, published data on additional segmental items and supplied new Entity-Wide Disclosures (EWDs) in accordance with IFRS 8's management approach. For example, 10% of the sample companies provided segmental information for the first time in 2009. The Jordanian listed companies provided details about more disaggregated business segments (where the mean number of segments rose from 2.4 to 2.7) and geographic segments / EWDs (where

the mean number of segments increased from 1.5 to 1.8). The average disclosure index score rose from 18.6% in 2008 to 30.6% in 2009. In addition, 27% of the sample companies went beyond the requirements of IFRS 8 by identifying the CODM in their annual reports for 2009.

With regards to the semi-structured interviews, 31 participants agreed to provide their views on IFRS 8. The respondents indicated that the quantity and quality of segmental information provided under IFRS 8 in annual reports for 2009 was "better" than that disclosed in 2008; it was more understandable, relevant, reliable and comparable than the segmental information which had previously been reported. Their responses also indicated that the implementation of IFRS 8 did not appear to cause any difficulties for external auditors, preparers and users during 2009; most interviewees reported that IFRS 8 was not a problematic standard. They believed that the disclosure of segmental information increased, published segmental information became more organised and better explained and the segmental information disclosed was more transparent.

The current study is the first of its kind in Jordan, and adds to the growing literature on financial disclosure; it therefore fills a gap about segmental disclosure in developing countries. It is also exploratory in nature, since very little is known about segmental reporting practices in Jordan. Thus, this study's findings represent a significant contribution to knowledge.

Chapter 1

Introduction

1.1 Introduction

There are two main objectives to this study. First, the thesis seeks to assess the impact of International Financial Reporting Standard (IFRS) No. 8 on the segmental disclosures of Jordanian listed firms in their annual reports for 2009 when the standard became effective. Second, the thesis aims to explore the perceptions of external auditors, preparers and users (investors and analysts) of financial statements about this new segmental reporting standard. Specifically, the empirical investigation for the first objective compares the annual reports for a sample of first-market companies[1] in 2009 prepared under IFRS 8 with the annual reports for the same sample in 2008 prepared under International Accounting Standard No. 14 Revised (IAS 14R); a disclosure index approach is used to analyse segmental information in the financial statements of the sample companies. This first objective is also examined by exploring the extent to which Jordanian listed firms have specified the identity of the Chief Operating Decision Maker (CODM) in narrative disclosures about IFRS 8 within their company annual reports before and after the introduction of this new standard. The second objective is addressed by investigating the perceptions of external auditors, preparers and users (investors and analysts) about IFRS 8; interviews are conducted with representatives of these stakeholder groupings using a semi-structured questionnaire instrument.

There are many ways in which entities can disclose information to the public (i.e. press coverage, newspapers, government publications, seminars), but the annual report is the only document that includes financial information which is compiled according to a set of pre-specified rules and principles and which represents the

[1] The Amman Stock Exchange (ASE) groups listed companies into the first market and the second market categories. The former are larger and more established entities (Haddad, 2005).

entity's business performance (Gray, 1995). The annual report has long been seen as an important tool for the communication of corporate financial information about an entity's performance (Lee and Tweedie, 1975). In fact, disclosure of an entity's annual report is seen as "the communication of economic information, whether financial or non-financial, quantitative or qualitative relating to an enterprise's financial position and performance" (Owusu-Ansah, 1998, p. 608).

As Owusu-Ansah suggests, the content of an entity's annual report is wide ranging involving a mix of qualitative information, quantitative items and narrative disclosures that are thought to help users of financial statements with their decision making. Segmental reporting is one component of the annual report; it involves disaggregated financial information which users of financial statements analyse when making economic decisions (Walton et al., 2003). Specifically, segmental reporting allows financial statement users to determine which parts of the company are performing better than others; it also prevents one successful area of a company's operations from masking a level of underperformance in other segments (Cotter, 2011). Furthermore, it allows investors and other users to compare a multi-activity company's financial performance more accurately with a relative benchmark that relates to one specific segment. Thus, the growth in segmental reporting can be traced back to the disappearance of single-activity companies that operated in one sector such as agriculture, mining, and manufacturing. As companies became more complex organisations where resources were diversified across a number of industries, the need for disaggregated information grew. In particular, the rise of the conglomerate company during the 20th century following several acquisitions of targets in areas which were unrelated to the activities of the parent bidder suggested that disaggregated information needed to be included in the annual report (Gaughan, 1994). This rise to prominence of the conglomerate company combined with the growth of consolidated financial statements suggested that a role existed for segmental reporting. The trend towards globalisation during the latter half of the 20th century (Hummels, 2007) and the emergence of multinational companies (Martin and Poli, 2004) created a demand for disaggregated geographical as well as activity-related information among investors and other users of financial statements.

Early attempts to regulate the disclosure of segmental data emerged in company legislation as well as stock exchange requirements. In the UK, for example, the Companies Act (1967) imposed the first requirement to disclose turnover and profit before tax for each separate business activity. Subsequent stock exchange listing requirements mandated that UK listed companies should provide turnover and profit data by geographic segment if available (Fryer et al., 1976). Accounting standards in this area did not emerge until the mid 1970s in the US and the 1980s in the UK. In fact, the US was the first country where an accounting standard on segmental reporting was issued in 1976 (Street and Shaughnessy, 1998). In December 1976, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 14 making it one of the first standard setting bodies to mandate a standard on segmental reporting. This standard was effective in the late 1970's, all of the 1980's and the early stages of the 1990's; it required footnote disclosures for business segments, defined as "components of an enterprise engaged in providing a product or services or a group of related (similar) products or services to customers for a company profit" (FASB, 1976, para 10).

In June 1997, the FASB issued the Statement of Financial Accounting Standard (SFAS) No. 131 to regulate segmental reporting; it suspended SFAS 14 and adopted a very different approach to the definition of a segment. Specifically, it mandated that externally reported segments should be those which were used internally by the CODM (FASB, 1997, para 4). Research studies following the introduction of this new standard found that SFAS 131 enhanced the consistency, reliability and timeliness of segmental information (Herrmann and Thomas, 2000b; Street et al., 2000) compared to disclosures required by SFAS 14. Moreover, they also documented that geographical as well as business-activity related segment disclosures under SFAS 131 improved the ability of financial statement users to predict future earnings (Behn et al., 2002) and allowed a company's share price to impound information more quickly than previously (Ettredge et al., 2005).

In addition to the FASB, the International Accounting Standards Board (IASB) has attempted to improve segmental reporting practices through the adoption of the US standard's approach. As a part of its convergence programme with FASB, the IASB issued International Financial Reporting Standard No. 8 (IFRS 8) "Operating Segments" in November 2006; this became effective for periods beginning on or after 1/January/2009 (IASB, 2006a). IFRS 8 converges with its US counterpart, SFAS 131, except for minor differences[2] of interpretation and terminology that are needed to conform with other International Accounting Standards (IASs).

[2] The IASB concluded that the following differences existed between IFRS 8 and SFAS 131. First, IFRS 8 requires disclosure of segment liabilities if regularly reviewed by the entity's CODM; this information is not required under SFAS 131. Second, IFRS 8 requires an entity to determine its operating segments by reference to the core principles of IFRS 8; a matrix form of analysis based on an entity's products and services is required under SFAS 131 to determine its operating segments (IASB, 2006a, para BC60).

IFRS 8 supersedes the previous international accounting standard: IAS 14R "Segment Reporting" (IASC, 1997). IAS 14R defined reportable segments according to risk-return criteria (IASC, 1997) described by Street and Nichols (2002) as the two-tier approach. Companies had to select either business class or geographic activities as their primary segments; the segment type not selected as the primary disclosures was then used to identify secondary segments. The identification process of segments required preparers to consider "the predominant source and nature of risks and differing rates of return facing the entity" (IASC, 1997, para 27). By contrast, the new standard (IFRS 8) requires segments to be identified in accordance with the management approach. Operating segments are to be identified on the basis of internal reports that are "regularly reviewed by the CODM to make decisions about resources to be allocated to the segment and assess its performance" (IASB, 2006a, para 5); there is no distinction between primary and secondary segments under IFRS 8.

The core principle of IFRS 8 requires an entity to "…disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates" (IASB, 2006a, para 1). At the time of its adoption, a number of commentators in the UK (and internationally) expressed concerns about the possible reduction in the quality and quantity of segmental information that would be published under IFRS 8 (IASB, 2006c; FRRP, 2010; Crawford et al., 2010a). In addition, concerns were also raised that the identity of the CODM was not specified, disclosure of information about geographic segments was not mandated, and non-

IFRS measurements were permitted for segmental information (IASB, 2006c). At a European Union (EU) level, the standard was not automatically endorsed by the European Parliament. Rather, a new comitology procedure was involved and further consultations between the EU politicians and relevant stakeholders took place (EC, 2007). In particular, Crawford et al. (2010a) argued that "For IFRS 8, the European Parliament held its own specific consultation process – the first accounting standard to be subject to this level of scrutiny… Under the endorsement process the Accounting and Regulatory Committee of the EC consulted stakeholders about IFRS 8" (p 8). The standard was eventually adopted by the European Parliament on 2008 and become effective for accounting periods on or after 1 January 2009. This standard was adopted for Jordanian listed companies by the Jordanian regulators and the Securities Law of 2002; Chapter 2 provides details about the Jordanian Capital Market and securities law requirements. The current study explores the impact of IFRS 8 on disclosure practices of Jordanian listed companies for 2009.

The next section of this chapter highlights the reasons why this research question was selected. Section 1.3 describes the research methods that are employed while Section 1.4 discusses the importance of the study. Section 1.5 summarises the structure of this thesis and provides the reader with a 'mapping' for the remainder of this PhD. Finally, Section 1.6 summarises the contents of this chapter.

1.2 Justification of the Study

IFRS 8 is a new standard on segmental disclosure that was issued by the IASB and which became effective on 1 January 2009. To date, there is very little research about the impact of this standard despite the fact that several concerns were expressed about its contents and the endorsement process within the EU was different from that which had been employed for other IASs (Crawford et al., 2010a). Any evidence that does exist focuses on the impact of IFRS 8 within the UK (Crawford et al., 2011), or relates to speculation about the likely impact of the standard before it was adopted (Crawford et al., 2010a). Thus, more international evidence about the impact of this new standard on segmental disclosure practices is needed[3]. Moreover, Jordan has adopted IASs since 1997; this long time span makes Jordan an ideal country for researching the implementation of IFRS 8 since preparers and users are already familiar with other IASs. In the last two decades, Jordan has undergone a series of major market reforms including a privatisation programme and a stock market development process. These reforms are intended to make Jordan an attractive location for foreign as well as domestic investment; appropriate disclosure practices and enhanced transparency requirements as regards to the performance of the listed firms have been key components of this reform process (Al-Razeen and Karbhari, 2004). In addition, these reforms have sought to improve the usefulness of corporate information that is made available to the public in order to attract foreign investors into the market (Hellstrom, 2006; Kloot and Martin, 2007). As a result, Jordan has become a more open economy with local firms exporting products and services internationally to many countries; the issue of segmental reporting and compliance with IFRS 8 is therefore an interesting topic to examine from the perspective of Jordanian companies' financial statements.

[3] Recently, the European Securities and Markets Authority (ESMA) issued its report "Review of European enforces on the Implementation of IFRS 8 – Operating Segments" (ESMA, 2011). However, the current study still provides international evidence about the impact of IFRS 8 on developing country such as Jordan which was not considered by the ESMA report.

Prior studies about financial reporting in developing countries are relatively sparse (Mirshekary and Saudagran, 2005). To the best of the researcher's knowledge, investigations about segmental reporting in Middle Eastern countries in general and Jordan in particular are uncommon. To date, the only study about segmental reporting in Jordan was conducted by Suwaidan et al. (2007). This study investigated the segmental information disclosed under IAS 14R by 67 Jordanian industrial companies listed on the ASE from annual reports published in 2002. The authors found that the average disclosure of segmental items by the sample companies was only 15% of the information which should have been published under IAS 14R. The current research builds upon this initial investigation to examine whether the introduction of IFRS 8 has increased awareness about and improved compliance with segmental disclosure requirements among Jordanian listed companies. Moreover, most studies on the introduction of IFRS 8 have so far been conducted on the UK (Crawford et al., 2010b); the current thesis should help to determine if initial UK findings are similar in countries with a different business environment, such as Jordan.

Prior investigations about the usefulness of segmental reporting information have often focused on preparers and investor users. The perceptions and experiences of external auditors and other individual users of financial statements have usually not been sought. In addition, Mirshekary and Saudagaran (2005) have indicated that prior studies about the perceptions of financial statement users have focused on developed countries, whilst relatively few studies have sought information about the perceptions of financial statement users in developing countries (i.e. Wallace 1987; Naser et al., 1993). It is believed that the current study will fill this gap in the accounting literature about financial reporting in general and segmental reporting in particular; it will provide a great deal of insight about the perceptions and experiences of external auditors, preparers and users of financial statements on the introduction of IFRS 8. Such perceptions should be useful since users of financial statements were relatively silent about IFRS 8 when the new standard was endorsed. In fact, only 7 users responded to the Exposure Draft No. 8 which preceded IFRS 8 while even fewer users responded to the EU's consultation process; in fact, the final endorsement of IFRS 8 by the EU was qualified by a call for further research which targeted views about the implementation of the new standard. Specifically, the European Commission believed that "there is a need to monitor that the standard is used in a consistent way. A number of commentators have proposed that after implementation a review should be carried out on the actual application of the standard" (p 19)[4]. The current thesis represents one attempt to answer this call within a non-EU context where the same arguments no doubt applied.

The two main objectives of the current study attempt to answer the following five research questions. First, how have Jordanian listed companies implemented IFRS 8 in their financial statements? Second, how have Jordanian listed companies reported the narrative disclosures required by IFRS 8 in their annual reports for 2009? Third, have external auditors and preparers experienced any difficulties associated with the implementation of IFRS 8? Fourth, have there been any changes to users' perceptions about segmental data supplied by companies following the introduction of IFRS 8? Finally, is the segmental information under IFRS 8 less or more useful compared to information provided under IAS 14R?

[4] In November 2011, the ESMA review included a study of IFRS 8 disclosures by 118 European listed companies. Overall, the ESMA report concluded that the level of segmental information provided under IFRS 8 was 'fair' and very similar compared to the previous level of segmental information provided under IAS 14R (details of ESMA findings are in Chapter 8) (ESMA, 2011).

1.3 Methods Used in the Study

Burrell and Morgan's (1979) framework was adopted to explain the philosophy used to underpin the current research; the combination of a realist ontology, a positivist epistemology, a deterministic view of human nature and a nomothetic methodology suggested that the functionalist paradigm was most appropriate. However, an element of interpretation is also employed since participants' views are sought in order to address the second objective of this research. Thus, although the methods are mainly functionalist, interviews are also used because of the dearth of prior work (i) on the impact of this standard and (ii) on the disclosure of segmental information in Jordan. Therefore, the study adopts a mixed methods approach (Punch, 1998; Bernard, 2000; Denzin and Lincoln 2003; Smith, 2003; Bryman, 2004) which emphasises triangulation of results from different methodological perspectives (Locke et al., 2004) in order to increase confidence in the findings, namely through a disclosure index and via semi-structured interviews. According to Ijiri (1983), the choice of theoretical framework will critically affect the research process, the findings arrived at and the interpretation of the phenomena being studied. The current study is mainly located in the functionalist paradigm and, the theoretical framework of this thesis is based on decision usefulness theory to interpret the findings and answer the research questions that are being investigated.

A number of methodological choices were made by the researcher when conducting this work. For example, the current study adopts the un-weighted approach to the disclosure index method; the dichotomous method is used for constructing the index; an item is scored 1 when it is disclosed and 0 otherwise.

Moreover, the disclosure index was used to collate details about the number of segments employed by every firm and the name of the segments disclosed. It also identified whether voluntary segmental disclosures were provided, as well as whether changes to annual reports with the introduction of IFRS 8 were anticipated by the management of the sampled companies. Finally, it contained details of whether Jordanian listed companies defined their 2009 geographic information as operating segments under IFRS 8 or whether they supplied entity-wide disclosures as recommended under IFRS 8. In addition, the disclosure index captured the identity of the CODM if that item of information was specified by the management in their company's 2009 accounts.

The interview process also involved choices. For instance, the semi-structured interview method was employed in order to explore the perceptions of external auditors, preparers and users (investors and analysts) about IFRS 8. A mix of both closed and open-ended questions were selected for the interview questionnaire; the closed end questions related mainly to the background details about the interviewees while the open-ended questions were used to solicit opinions. The questionnaire contained four sections. The first section sought background information about the interviewees. The second section for users was different from that for external auditors and preparers. In particular, users were asked whether they studied segmental information when analysing the performance of a company, and if so, what the most useful segmental items were for their decision needs. For external auditors and preparers, this section focused on the introduction of IFRS 8 and ascertained views about any difficulties associated with the implementation of the standard. The third section investigated the participants' views on information disclosed under IFRS 8 (the management approach) compared to the data supplied under IAS 14R (the risk-return approach); it sought opinions on the differences between the two standards. The final group of questions ascertained perceptions on the qualitative characteristics of financial information produced under IFRS 8 compared to that supplied under IAS 14R. Specifically, it ascertained whether segmental information under IFRS 8 was more or less useful for the decision-making needs of users than segmental information prepared under IAS 14R, in terms of its understandability, relevance, reliability and comparability.

1.4 Contribution of the Study

Concerns were raised about IFRS 8 when the standard was introduced; that its introduction would lead to a possible reduction in the quality and quantity of segmental information that would be published. Further, worries were expressed that the identity of the CODM was not specified, that disclosure of geographic data for segments was not mandated, and that non-IFRS measurements were permitted for segmental information (IASB, 2006c). In the context of these concerns, the current thesis makes several contributions. By investigating the perceptions of external auditors, preparers and users of financial statements about segmental reporting under IFRS 8 and the extent of its usefulness for decision making purposes, this research will contribute to our understanding of (i) whether stakeholders consider that the quality and quantity of segmental information has changed under IFRS 8 and (ii) how it might be improved in the future. Moreover, the research examines whether segmental information produced under IFRS 8 will improve communication between preparers and users and enhance the quality of published segmental information. In addition, this study is timely as an investigation of segmental disclosure practices under IFRS 8 following its introduction should feed into any review of the standard which the IASB might be conducting in the near future[5]. Moreover, the findings may be relevant for politicians as well as for standard setters since disclosures about the location of an entity's operations may have implications for a country's taxation estimates and industrial policy.

An analysis of the impact of this change from IAS 14R to IFRS 8 in segmental reporting practices may assist Jordanian policy makers as they monitor the performance of the Jordanian Capital Market[6]. The thesis provides empirical evidence relating to the value of segmental information published by Jordanian listed companies. Specifically, the research will shed light on how authorities can improve (if needed) the current segmental disclosure practices of Jordanian listed companies. The results of the thesis may indicate whether user needs are satisfied by information which Jordanian listed companies currently provide under IFRS 8 or whether additional disclosures are needed to meet any unsatisfied demand which may be present.

To the best of the researcher's knowledge, this study is the first specific investigation of the segmental reporting practices under IFRS 8 for Jordanian listed companies. To date, no attempt had been made to examine the extent to which segmental information published under IFRS 8 in the annual reports of Jordanian

[5] The IASB post-implementation review will take place in the near future. In January 2012, the IASB stated that this review will discuss "all new IFRSs and major amendments to IFRSs. The first IFRS to be subject to a post-implementation review is IFRS 8 Operating Segments" (IASB, 2012). In addition, the IASB mentioned that the main purposes of the post-implementation review are "(i) the review should consider whether the purpose of the original standard was met and (ii) the experience gained by completing the review of IFRS 8 should be used to further refine the review process" (IASB, 2012).
[6] The Jordan Securities Commission (JSC) is one of the three institutions of the JCM. This institution is a public regulatory body directly established by the Prime Minister with financial and administrative autonomy, see chapter 2 for more details about the JCM.

listed companies complies with requirements; the quality, quantity and usefulness of segmental information under IFRS 8 had not been evaluated before. Furthermore, no attempt has been made in previous Jordanian investigations to assess the perceptions and experiences of external auditors, preparers and users of financial statements about IFRS 8 as well as the usefulness of segmental information supplied more generally. Overall, this study provides an up-to-date description of the current status of segmental disclosure in Jordan; such a description may have implications for similar developing countries as well. This description should help to build a global picture about how standards are implemented and whether segmental information supplied is useful outside of a US/UK context.

Finally, this study offers an objective assessment about the current situation of segmental reporting among Jordanian listed companies for local, international and potential investors; specifically, segmental reporting seems to be an important source of information for investors who want to make an economic judgement about risk and performance before investing in such companies. The current thesis supplies insights on this issue.

1.5 Structure of the Thesis

The next chapter of this thesis provides background information about the historical development of Jordan and outlines the major events which have shaped the country's culture. This chapter also presents a brief overview of the development of the Jordanian economy, describes the financial reporting regulations in the country and discusses the laws relating to companies within the Kingdom. Such a chapter will help to provide a context for the current investigation. In particular, the chapter will help to interpret any findings from the disclosure index results and understand any views expressed during the semi-structured interviews.

Chapter 3 describes the relevant studies and important research findings relating to the issue of segmental reporting in general and the implementation of IFRS 8 in particular. This review provides evidence about segmental disclosure practices from prior work that has been conducted in the area; it also provides an overview of the US, UK and international requirements on segmental reporting[7]. Most of the literature that is reviewed in Chapter 3 relates to investigations of (i) previous segmental reporting standards and (ii) the introduction of SFAS 131 in the US. The literature on IFRS 8 is, not surprisingly, thin since the standard has only recently been adopted and the first sets of financial statements produced under IFRS 8 have only begun to appear. However, an analysis of prior studies about the introduction of SFAS 131 seem appropriate in the current context since IFRS 8 mirrors its US counterpart except for minor changes which were needed for consistency with other IASs. The findings from this US literature suggest that the introduction of SFAS 131 resulted in a change in the way in which US companies defined their reportable operating segments (Herrmann and Thomas, 2000a) and the disaggregated information provided for analysts and other users of financial statements (Street and Nicholas, 2002). SFAS 131 also helped investors to better understand an entity's performance by allowing them to estimate future cash flows more accurately (Ettredge et al., 2005); further it

[7] This overview of US and UK reporting requirements for segmental information is provided because most of the extant literature on segmental information has been conducted in these two countries (Balakrishnan et al., 1990; Rennie and Emmanuel, 1992; Edwards and Smith, 1996; Emmanuel et al., 1999; Herrmann and Thomas, 2000a; Street and Nicholas 2002; Behn et al., 2002; Ettredge et al., 2005; Tsakumis et al., 2006). In order to understand this literature and its findings, US and UK disclosure requirements are discussed. In addition, since some of the thinking behind IFRS 8 draws on existing reporting requirements in these two countries, the comparison was included even though US or UK accounting standards do not apply in Jordan.

enabled analysts to forecast income and turnover more accurately when geographic segmental data provided under SFAS 131 were employed (Balakrishnan et al., 1990; Behn et al., 2002). The current thesis investigates whether the introduction of IFRS 8's management approach was associated with similar outcomes.

Chapter 4 outlines the theoretical framework underpinning the current study; it describes the decision usefulness theory employed in the research. Specifically, this decision usefulness theory was selected because of its suitability as a theoretical framework for the current study. It is the theoretical perspective adopted by the IASB which issued IFRS 8. Furthermore, it was the theoretical position which accorded with the world view of the researcher and was thought appropriate for the research questions being addressed. This chapter also presents details of how the decision usefulness approach has been adopted by standard setters as well as prior researchers when conducting studies in the financial reporting area; it also summarises the limitations associated with this approach.

Chapter 5 outlines the paradigm in which the current research is located. The methodological choices and methods employed to answer the research questions are described. Specifically, this chapter discusses Burrell and Morgan's (1979) framework for categorising research in the social sciences; it outlines the research methods used within the thesis, and details the disclosure index and semi-structured interview methods employed.

Chapter 6 documents the analysis and reports the findings of the disclosure index employed. Specifically, the definition of segments for 2008 (under IAS 14R) is compared with that required in 2009 (under IFRS 8) and the impact of the standard's implementation analysed in terms of the quantity and type of segmental information disclosed by Jordanian companies in their annual reports. Moreover, this chapter also investigates the identity of the CODM in 2009 under IFRS 8, and management narrative disclosures about IFRS 8 before and after the introduction of this new standard.

Chapter 7 investigates the perceptions and experiences of external auditors, preparers and users of financial statements about IFRS 8. This chapter outlines the sample background, summarises the opinions of the research participants about the introduction of IFRS 8 and investigates their views on the contents of the standard. It also examines the impact of IFRS 8 on the quality and quantity of segmental information provided and ascertains interviewees' views about the usefulness of segmental information disclosed under IFRS 8 based on the qualitative characteristics of the data provided.

Chapter 8 summarises the key findings of the current study; it outlines the main limitations of the work, and suggests avenues for future research that could be undertaken based on the empirical analysis of the current study. Conclusions are arrived at in this chapter based upon all of the findings which have been uncovered.

1.6 Conclusions

This chapter had introduced the reader to the research topic of the current study. It has outlined the broad areas covered within the thesis and the objectives of the research. The methods employed and importance of the current study are discussed. Specifically, within the context of decision usefulness theory, the current study investigates the impact of IFRS 8 on the segmental disclosures of Jordanian listed firms, and explores the perceptions of external auditors, preparers and users (investors and analysts) of financial statements about this new segmental reporting standard. A disclosure index approach is used to analyse segmental information in the financial statements of the sample companies, and interviews are conducted with representatives of these stakeholder groupings using a semi-structured questionnaire instrument. This chapter has also provided an overview about the research topic and supplied a road map about how the research questions are addressed in the remainder of the thesis.

Chapter 2

Jordan: Background and Financial Reporting Framework

2.1 Introduction

The main purpose of this chapter is to provide an overview of the history and background of Jordan, and to discuss the major factors which have influenced the financial reporting framework in the country. Disclosure of financial information by companies depends on the level of development of a country (Saudagaran and Biddle, 1992; Frost et al., 2008; Ali et al., 2009), the existence of a sophisticated financial market (Jaggi and Low, 2000; OECD, 2009), the legislation enacted (Al-Shiab, 2003; Al-Shiab, 2006), and the size as well as the sophistication of the accounting profession (Suwaidan, 1997; Roberts et al., 2005). The current chapter therefore describes the structure of the Jordanian capital market, the relevant legislation that has been enacted by the government and the status of the accounting profession within Jordan. All of this detail should provide the reader with the understanding needed to follow the analysis reported in subsequent chapters.

The remainder of the current chapter focuses on the historical development of Jordan and outlines the major events which have shaped the country's culture. The Jordanian economy is described in section 2.2.2, while the financial reporting regulations in the country are explained in section 2.3; the laws relating to companies are discussed, and the accounting regulations within the Kingdom are highlighted in section 2.4. Finally, section 2.5 contains a general summary of the contents of this chapter.

2.2 The Country

Jordan is located at the crossroads of Asia and Africa. With a surface area of 89,342 square kilometres it is bordered by Syria to the North, the Palestine National

Authority and Israel to the West and Iraq and Saudi Arabia to the East. The Gulf of Aqaba is the only coastline located in the South of Jordan. Although large in area, most of Jordan is covered in desert (United Nations, Demographic Yearbook, 2007). The official name of the country is The Hashemite Kingdom of Jordan or "Al-Urdunn" in Arabic. The population of Jordan has grown rapidly from about 1.5 million in 1970 to about 6.0 million in 2009. This 300 percent increase in population has not been matched by a growth in the annual Gross Domestic Product (GDP) of the country; GDP has only grown at a rate of 2.8 percent in 2009, and is only forecast to increase at a rate of 4.1 percent in 2010 (Department of Statistics, Jordan, 2009; International Monetary Fund, 2010). The combination of a high birth rate and a low mortality rate together with an influx of political refugees from religious and other conflicts in neighbouring countries such as Palestine, Iraq and Lebanon has resulted in this enormous percentage increase in the Jordan population (see Appendix 1.1). Most of this population is located in the three major cities of the country: Amman which is the capital city and located in the centre of Jordan, Irbid in the far North of the country and Zarqa which is situated between Irbid and Amman.

The official language is Arabic, although English is widely understood among upper and middle classes. Some 94% of the population are Sunni Muslims while 6% are Christians. The Constitution, however, provides for the respect of all religions with no discrimination. Jordan is also part of the Arab Nation and its population is part of the Arab people. Therefore, Jordanian society derives its values and ideals from the teachings of Islam and from Arabic culture, traditions, customs and values. (CIA, the World Factbook, 2001). Beard and Al-Rai (1999) classify Jordan as a high-context culture where subtlety and personal loyalties are used in business. Specifically, they stated that:

> "High-context cultures communicate a great deal of information non-verbally through personal status, family ties and known associates. In high context cultures, greater emphasis is placed on personal trust between business associates than on the technical details of a written contract. Subtlety and inference are highly valued as are the creation and nurturing of personal relationships. High context cultures express a strong preference for face-to-face communication" (p. 140).

Although located in the Middle East, Jordan lacks many of the natural resources which neighbouring countries are endowed with such as oil and water, but it has a plentiful supply of human resources (Helles, 1990; Beard and Al-Rai, 1999).

2.2.1 Major Events in the History of Jordan

In 1921, the empire of Jordan was established under the rule of Emir Abdullah following the Congress of Versailles after World War 1 (WW1). During WW1 the land which became known as the Hashemite Kingdom of Jordan was governed by Turks as part of the Othman empire. The ending of WW1 therefore saw the land come under the protectorate of the United Kingdom. According to the Palestine mandate of the League of Nations, the country gained independence in 1946 after 26 years under the British mandate and Emir Abdullah was declared the King of Jordan. After only two years of its official existence, there was an influx of around 500,000 Palestinians into Jordan during 1948 as a result of the first Arab-Israel war; the population of Jordan trebled almost overnight. With this migration, the newly established State experienced a remarkable economic transformation which saw activity shifting from agriculture towards services; most of the Palestinians commenced working in the services area since there was no "free" land for them to farm. In 1952, the (King

Talal) was declared mentally unfit to rule, and his young son Hussein was proclaimed as his successor. In the same year, a new constitution for the country was promulgated; it authorised the configuration of the Kingdom, listed citizens' rights and duties and spelled out those areas where the government had authority. This constitution provided for a quasi-separation of three powers: (i) the legislative power that consisted of the King and the Council of the Nation; (ii) the executive power that comprised of the King, the Prime Minister and the Council of Ministers; and (iii) the judicial power that was delegated to the Jordanian courts. Thus, the years after 1952 saw the beginnings of democracy within Jordan. This time period also witnessed one of the few peaceful eras within the history of the country. This peace was shattered in 1967 with the start of the second Arab – Israeli war (Brynen, 1992; Helles, 1992; Abu-Baker, 1995; Suwaidan, 1997; Piro, 1998; Beard and Al-Rai, 1999; Shoup, 2007; Al-Kheder at al., 2009).

Between 1967 and 1973, Jordan experienced one of the most difficult periods in its history; two wars were fought in almost four years; Jerusalem was seized by Israel and more Palestinians were pushed outside the West Bank into the East bank of Jordan. These events not only changed the population structure of Jordan which increased by about one quarter in only one year, but also gave rise to the loss of land that had been productive for Jordan at that time. The country remained officially at war with Israel until 1994. On October 26th of this year, the country signed a peace treaty with the State of Israel. Since that date, another period of relative stability has ensured which has allowed the economy to grow and develop. In 1999, Crown Prince Abdullah Ibn Al-Hussein was sworn in after the illness and ultimate death of his father King Hussein who passed away on the 7th of February (Famighetti, 2000; Naser and Al-Khatib, 2000; Haddad, 2005; Btoush, 2009).

These critical events led to a severe economic recession in the early stages of Jordan's existence. However, the periods of political stability have seen the economy grow. This growth has been aided by government policies which have tried to attract new investment into Jordan in order to develop the economy; thus, the Jordanian government has attempted to build up a financial economic structure in accordance with the best international standards that have existed in order to attract foreign investment into the country. The next section discusses the Jordanian economy in more detail.

2.2.2 Jordanian Economic Overview

In the early years of the 1980s, the Jordanian economy was heavily dependent on the influx of external capital. Arab countries agreed to provide Jordan with financial aid amounting to USD $1.2 billion between 1980 and 1990 primarily to support the refugees that had arrived (Suwaidan, 1997). However, not all of this aid materialised; some of the Arab countries failed to keep their promises and the actual amount of aid received was much lower than had been pledged. Because of this shortfall, the government reduced its capital expenditure and increased borrowing. As a result, the country's external public debt rose to JD 5409.4 million, which was equivalent to 232.2% of GDP, and the inflation rate reached 25.8% (Birks and Sinclair, 1982). In general, before the Gulf War in the early 1990s the Economist Intelligence Unit (1990) argued that:

> "The economic situation in Jordan is so bad; Jordan is facing rising unemployment, high inflation and frozen salaries" (p. 4).

In 1990, the Gulf War crisis further depressed the Jordanian economy (Abu-Nassar, 1993). This war had a significantly negative effect on economic activity within the country. For instance, Jordan's main export market in the Gulf States was Kuwait; the Iraqi invasion meant that exports were not possible. In addition, Arab aid was cut off and about 320,000 Jordanian emigrants returned to Jordan from the Gulf States. Consequently, in order to overcome the difficulties faced by the Jordanian economy, the International Monetary Fund (IMF) and the World Bank cooperated on a seven-year plan (Swaidan and Nica, 2002). Unfortunately, in 1991, the debt level at USD $9 billion was considered by this plan to be too high compared to the annual budget and income of the State. Therefore, the government adopted an economic reform programme to repay some of this debt. The programme resulted in the level of debt dropping to USD $6 billion (Al-Shiab, 2003).

After 1991, with the support of many countries as well as help from the IMF and the World Bank, the Jordanian economy started to recover. Over the period 1992-1997, GDP grew at an annual rate of 18.7 percent. In fact, Jordan had the highest GDP growth in the Middle East and North African region during 1992 (Central Bank of Jordan, 1993). Further, the government of Jordan launched a privatisation programme to transfer public enterprises to the private sector during this period. For example, the sale of Jordan Telecom, Electricity, Aqaba Port Facilities, Zarqa Petroleum Refinery, Cement Industry and Royal Jordanian Airlines took place in these years (Piro, 1998; Famighetti, 2000; Kardoosh, 2005; Nobanee et al., 2009).

In April 2000, Jordan officially became a member of the World Trade Organisation (WTO). The Jordanian government had worked to reform laws and regulations in order to meet WTO requirements and standards. As part of this process, Hutaibat (2005) argued that the Jordanian business community faced a number of challenges:

> "The business community is in a position never before experienced. As a result of its admission to the WTO, Jordanian businesses are facing increasing global competition. Moreover, water and energy are becoming increasingly scarce, and the whole economy is vulnerable to regional political unrest. To cope with these challenges, Jordan aims to expand its markets abroad and access more markets. Its admission to the WTO should pave the way for such expansion; however, Jordanian companies need to improve their efficiency in order to survive global competition" (p. 37).

In an attempt to develop and improve the structure of the economy, the Jordanian government introduced a new business plan which sought to attract additional foreign investments by establishing Duty Free Zones (DFZ), Free Trade Agreements (FTA) with other countries and Qualifying Industrial Zones (QIZ). Unfortunately, the most recent Iraqi war in 2003 has had an impact on the economy with many of these planned changes being interrupted. In fact, trade agreements between Jordan and other countries were badly disrupted by this war. Also, the export (import) of products from (into) Jordan declined significantly because of the war. Prior to the war in 2002, the two-way trade between Jordan and Iraq had reached JD 844.3 million with Jordanian exports to Iraq amounting to JD 311.8 million[8], and Iraqi exports to Jordan of JD 532.5 million. Due to the war, this total value fell to JD 366.4 million resulting in a huge drop in Jordanian imports from Iraq from JD 532.5 million to JD 144.7 million. In the other direction, exports fell to 221.7 million (down from JD 311.8 million in 2002) (Central Bank of Jordan, 2004; Kardoosh, 2005).

[8] This is equivalent to 20 percent of Jordanian exports for that year.

With the ending of the war, FTAs with the USA, the EU and the other developed countries in the region have been signed. These have had a considerable effect on the Jordanian economy. These agreements will phase out duties on all goods and services over a 10-year period (Haddad, 2005). Specifically, Jordan will move from the export of traditional resources (i.e. Potash and Phosphates) to a more open market economy, with a developing privatisation programme. In particular, the establishment of the Aqaba Special Economic Zone (ASEZ) with a low tax regime was at the centre of a recent privatisation programme. Additionally, the tourism and information technology industries (Al-Nagi and Hamdan, 2009) are considered as the other main growth sectors in Jordan. In these two areas, Jordan seeks to exploit its competitive advantages: the presence of a large number of historic and holy sites as well as an educated young workforce.

Recently, the government's efforts to improve the performance of the economy have achieved significant results with annual GDP growing by 8.85 percent in 2007. However, the growth in annual GDP fell by approximately 1 percent (to 7.9 percent) in 2008, presumably as the international financial crisis began to impact on the local economy. This trend has accelerated in 2009 with growth down by 5.1 percent compared to 2008 (Table 2.1). However, inflation has also declined in recent years while the exchange rate against the USD has remained fixed.

Table 2.1 The Main Economic Indicators for Jordan During the Period 2005 - 2009					
Item	**2005**	**2006**	**2007**	**2008**	**2009**
Population (Million)	5.473	5.600	5.723	5.850	5.980
Nominal GDP at Market Prices (JD Million)	8,925.4	11,092.6	12,595.7	16,108.0	17,815.6
Per Capital GDP at Current Market Prices (JD)	1,631	1,981	2,201	2,754	2,979
GDP Growth (Annual %)	8.12	8.03	8.86	7.90	2.80
Nominal GDP at Market Prices (%)	10.3	24.3	13.5	27.9	10.6
Real GDP at Basic Prices (%)	7.60	8.00	7.40	7.20	3.20
Real GDP at Market Prices (%)	8.10	7.90	8.50	7.60	2.30
GDP Deflator at Market Prices (%)	2.00	15.20	4.70	18.80	8.10
Percentage Change in Consumer Price Index (%)	3.50	6.25	4.70	13.90	-0.07
Average exchange rate against USD	1.41	1.41	1.41	1.41	1.41

Note: This table shows the main economic indicators for Jordan during 2005 – 2009. These figures are based on information obtained from the Central Bank of Jordan's Annual report, 2009 and Monthly Statistical Bulletin, July 2010.

In summary, Jordan has adopted comprehensive economic reform programmes in order to improve the performance of the economy. In particular, the government has sought to attract foreign and international investment into Jordan. Such investors expect to see an audited set of financial statements and regulations to protect their equity ownership. Even though there has been a significant drop in the growth rate for annual GDP in 2009, Jordan still aims to attract foreign and local investors in the near future as the government enacts changes to the legal and financial environment in order to promote economic activities; Jordan's capital market was increasingly viewed as a critical component in the economic development plans of the country and increasing the effectiveness of securities market regulation to ensure that it complied with international standards was viewed as a priority. The next section will highlight one of these areas where the government has introduced changes: the financial reporting framework in Jordan.

2.3 Jordanian Financial Reporting Framework

In 1964, the Ministry of Industry and Trade (MIT) issued the first Company Law No. 12 that was applied to both the East and West bank of Jordan. Unfortunately, this law was very limited in scope and only weakly enforced; in 1966 the MIT issued a new Commercial Law (Trade Law No. 12) mandating that companies should keep records of their financial activities. This law required all companies to keep three main books: a general journal, inventory records and a correspondence register. Again, there were no details provided in the law about the content and form of information to be contained in these books (Naser and Al-Khatib, 2000; Al-Akra et al., 2009; Al-Akra et al., 2010a; Al-Akra et al., 2010b).

Subsequently, a number of additional laws were issued by the MIT in order to assist in the development of the Jordan economy. These included: the Encouragement of Investment Law of 1972; the Registration of Foreign Companies Law of 1975; and the Control of Foreign Business Activities Defence Regulations of 1978. As a result of these laws, many foreign companies and businesses shifted to Jordan and relocated their regional headquarters to Amman. This in turn, prompted the Central Bank of Jordan to set up the Amman Financial Market (AFM) in 1978; it also licensed seven banks to serve the local and new foreign companies (Khasharmeh, 1995; Al-Akra et al., 2009). The AFM was the only financial market in Jordan and therefore fulfilled two main responsibilities: the role of a Securities and Exchange Commission and the role of a traditional Stock Exchange. Hence, the AFM had three main duties: (i) to organise the issuance of and dealing in securities in order to protect the national financial interest and the investments of small savers; (ii) to serve the interests of the national economy by mustering the savings of the Jordanian people for investment in securities; and (iii) to prepare and disclose information and statistics about the achievement of its objectives. The only disclosure requirement was that listed public shareholder companies should provide the AFM with audited financial statements (Piro, 1998).

In the late 1970s and early 1980s, El-Issa (1984) argued that the accounting environment in Jordan needed much more regulation in order to improve. As long as there was no official accounting body or institution to supply guidance for the preparation of financial statements or reports he suggested that an accounting "profession" would not emerge. Moreover, Helles (1992, p. 231) stated that:

> "There are no legal requirements as to the form or extent of financial statements, either for public or private shareholding companies. [All the law says is that] Financial statements must be in Arabic script. Presentations familiar to those in the UK and the USA are followed. However, [the law only specifies that] the balance sheet should be clearly written so that it gives a correct picture of the company's financial position".

During 1980s there were many weaknesses documented among the reporting methods employed by Jordanian firms. For example, financial reports were often delayed and there were no requirements for interim statements (Haddad et al., 2009). Moreover, companies were allowed to apply the reporting practices or methods that they desired and no accounting standards were adopted (Abdullatif and Al-Khadash, 2010). The Companies Act 1989 changed this environment; it required all registered shareholding companies to prepare and publish a profit and loss account (income statement) and a balance sheet with explanatory notes within a maximum period of three months after the end of their previous financial year. These financial statements had to be prepared in accordance with General Accounting Accepted Principles (GAAP); however, the Act did not mention which specific GAAP was to be followed.

Also, the Board of Directors of the company has to publish two further reports: an auditor's report and a director's report. A copy of these reports together with the financial statements had to be sent to the shareholders of the company. However, a problem was that the format and list of items to be included in these statements and reports were not clearly specified by the Act (Suwaidan, 1997). As a result, there was a great deal of variety among the reporting practices adopted by listed firms.

Another important law relating to companies was the Income Tax Law No. 57 of 1985 issued by the Ministry of Finance (MoF), which is still one of the major pieces of legislation underpinning financial disclosure requirements in Jordan. The law has two parts: the first one focuses on the taxation of companies' income (corporation tax) while the second one concentrates on the taxation of individual's incomes (personal tax). Income Tax Law No. 57 1985 required companies paying taxes to show all deductions and allowances in their financial statements. It also specified that companies calculate and record depreciation by utilising the straight-line method only[9]. Even today, Jordanian companies are compelled to use the straight-line method to calculate depreciation of fixed assets for taxation purposes. Finally, it required Jordanian companies to use the lower of historic cost or the market price in order when valuing their inventory.

In accordance with the Auditing Profession Practice Law No. 32 of 1985, the Jordanian Association of Certified Public Accountants (JACPA) was established in 1987 as a local professional accounting body. However, there was no local accounting standards created for them to apply. Therefore, JACPA played an important role in

[9] The law has determined that one method should be used in Jordanian financial statements.

facilitating the adoption of International Accounting Standards (IASs) and recommended that all Jordanian companies voluntarily adopt IAS/IFRS effective from January 1990 (Tabari, 2000; Obaidat, 2007). Nevertheless, JACPA were unable to force all listed companies to comply with IAS. Indeed, they could not get their members to employ IASs. The absence of any legal or professional requirement to implement IASs until 1997 seemed to let firms choose which GAAP they wanted to adopt (Haddad, 2005; Malkawi and Haloush, 2008; Haddad et al., 2009).

In the late 1990s, the government adopted a reform programme, which promoted privatisation procedures and developed a new Jordanian Capital Market (JCM) under the temporary Securities Law 1997, in order to improve the investment climate of Jordan. This Law was temporary because it was the first securities law issued by the Jordan Securities Commission (JSC); it was later amended by Securities Law No. 76 in 2002.

The Securities Law of 1997 stated that entities supervised by the JSC were required to apply IASs in the preparation of their financial statements (balance sheet, income statement, statement of cash flows, statement of shareholders equity, and notes to the financial statements) (Article 24). The JSC law required all listed companies to present interim financial statements for the first six months of the fiscal year within a maximum period of 1 month after their mid year end and audited financial statements annually within a maximum period of 3 months after the fiscal year end date. The JSC also demanded that listed companies[10] publish an Arabic version of their financial statements in one of the national newspapers of Jordan.

[10] In 1998, the number of listed companies on ASE was 150.

Further, Article 24-A of this law clearly defined the GAAP to be employed compared to the wide range of choices that had been afforded by the Companies Act 1989. Under the 1997 law, the JSC obliged the listed companies under its supervision to apply IASs that were issued by the IASB. According to the law:

> "A- all entities subject to the Commission's[11] monitoring shall apply International Accounting Standards issued by the International Accounting Standards Committee. B- if there is a conflict between the standards referred to in Paragraph (A) of this Article and legislation in force in the Kingdom[12], the national legislation shall supersede".

In paragraph B of the same article, the law states that if there is a conflict between international standards and local legislation, IASs need not be applied. However, the entity must disclose this information in their report along with its impact on the financial statements.

In 2002 the Securities Law was updated. Again, it required all entities to comply fully with IASs in the preparation of their annual reports and to submit an annual audited report to the JSC; however, there was no opt out where IASs conflicted with local GAAP. For example, Article 14 of the Instructions of Issuing Companies Disclosure, Accounting and Auditing Standards law for 2004[13] states that:

> "The international accounting standards issued by the Board of International Accounting Standards Board are hereby adopted whereby all the parties subject to the Commission's monitoring shall prepare their financial statements consistently therewith".

In summary, the financial reporting environment in Jordan has changed and the regulatory framework underpinning financial reporting has developed. Before

---

[11] The Jordan Securities Commission.
[12] The Hashemite Kingdom of Jordan.
[13] This was issued by virtue of article (12/Q) of the Securities Law No. 76 for the year 2002 and by virtue of the decision of the Board of Commissioners of the Securities Commission No. 53/2004 and amended by virtue of the decision of the Board of Commissioners of the Securities Commission No. (257/2005).

1998, the legal framework on which Jordanian financial reporting was based came mainly from two sources; the Amman Financial Market (AFM) and the Companies Act No. 1 of 1989. Unfortunately, these sources provided insufficient guidance about the financial information to be disclosed in companies' annual reports. As a result, in 1997 the Companies Act 1989 was amended by the Securities Law No. 23 which came into effect on September 1998. This Law witnessed the introduction of an entirely new regulatory system which significantly changed the Jordanian capital market; prior to this, the Jordanian capital was regulated by three different institutions: (i) the JSC, (ii) the Amman Stock Exchange (ASE), and (iii) the Securities Depository Centre (SDC). The Jordanian government adopted a comprehensive capital market reforming policy, which aimed at boosting the private sector, expanding and diversifying the national economy, and improving the regulation of the securities market to international standards by the adoption of IASs (Kamal, 1998; Al-Shiab, 2006; Nobanee et al., 2009). The next section will examine the major influences on financial disclosure in Jordan.

2.4 Influences on Financial Disclosure in Jordan

The JSC is the main regulatory body for the JCM; its launch saw the introduction of new and more extensive disclosure requirements for companies listed on the ASE. For example, the Companies Law 1997 which focuses on monitoring registered Jordanian companies was enacted by parliament. The Auditing Profession Practice Law 1985 established JACPA, and therefore set up the first accounting association and professional body in Jordan. Accounting education also affected the relationship between the academic community and the professional community of accountants in Jordan. This section will highlight the influences on the financial disclosure environment in Jordan, including the regulatory bodies of the JCM, the Companies Law 1997, the accounting and auditing environment in Jordan, and accounting education.

2.4.1 The Jordanian Capital Market

The JSC is one of the three institutions of the JCM. This institution is a public regulatory body directly established by the Prime Minister with financial and administrative autonomy. It was given this autonomy in order to enhance its public stature, and to facilitate investor confidence in its ability to supervise the capital market (JSC Annual Report, 2006). According to Article 8-A of the Securities Law 2002, the JSC's objectives are:

> "Protecting investors in securities; regulating and developing the capital market to ensure fairness, efficiency and transparency; and protecting the capital market from the risks that might face it".

In order to achieve these objectives, the JSC has responsibilities for regulating and monitoring the following:

> "The issuance of securities and dealing therein; the disclosure including the periodic reports prepared by issuers[14]; the activities of licensed[15] and registered Persons[16] in the capital market; the Stock exchange and trading markets in securities; the Securities Depository Center; and mutual funds[17] and investment companies[18]" (Securities Law 2002, Article 8-B).

---

[14] An "issuer" under this rule is any legal person issuing or announcing the intention to issue securities.

[15] A "licensed person" according to this article is any person licensed by the Commission in accordance with the provisions of this Law.

[16] A "registered person" is any natural person who is a member of the board of directors or the board of executives, or director, manager or employee of a Financial Services Company, or any person occupying a similar status or performing similar functions at a Financial Broker, Dealer, Investment Trustee, Investment Manager, Financial Advisor, Underwriter or Financial Services Company. The term excludes any person, whose functions are solely clerical, supporting services or unrelated to the conduct of any business in securities.

[17] A fund established under, and operating in accordance with the provisions of this Law and the regulations, instructions and decisions issued pursuant thereto, in order to invest in a portfolio of securities or other financial assets for the purpose of providing professional management of a collective investment on behalf of its shares or investment unit's holders.

The JSC has a board of commissioners made up of five full-time members. This board is responsible for the following tasks: granting licenses issued under the Law; drawing up draft laws and regulations on securities; approving the by-laws and regulations of the Securities Depository Centre (SDC) and the ASE; setting limits for the commissions of financial services companies and members of the SDC; and adopting accounting and auditing standards for those organizations falling under its supervision as well as determining the qualifications required for auditors (JSC Annual Report, 2007).

The board of commissioners published three important instructions in accordance with Securities Law 2002. The first one "Instructions of Issuing Companies Disclosure, Accounting and Auditing Standards for the Year 2004" became effective on 1 March 2004. Under these instructions, all listed companies had to disclose, within a maximum period of 45 days from the end of their financial year, preliminary results about their main operations, after the auditor had carried out a review of these results. Moreover, it required the listed company to prepare its annual report within three months from the end of the company's fiscal year; this report had to be provided to the commission. In terms of segmental information, Article 4-B1 clearly required the board of directors' report as well as its annual financial statements to disclose details about the company's main business activities and the geographical locations of its operations. This segmental information is also required by local regulations and by the IASB (See Appendix 1.2 for further details about JSC disclosure requirements).

[18] A company whose principal activity is investing and trading in securities, or one which owns or intends to own more than 50% of its total assets in the form of securities. This does not include banks or insurance companies performing banking or insurance business as such.

The second instruction published by the commissioners was entitled "Instructions of Issuance and Registration of Securities for the Year 2005[19]" and came into force on 1 May 2005. According to these instructions, every issuer of securities in Jordan should submit an application to the JSC for the registration of these securities with the ASE. The board of commissioners of the JSC may accept or reject the registration of these securities; of course a rejection might adversely impact on the shareholders of the issuer's securities or investors in general (Article 3). Moreover, issuing securities to the public should occur by two methods: subscription of public securities through banks; or sale of securities to the public according to the trading procedures in the market (Article 7).

The third instruction published by the commissioners was called "Instructions on the Accounting Principles and Standards Pertaining to the Preparation of Annual and interim Financial Statements for the year 2007[20]" and became effective on 16 December 2007. As regards the preparation of a listed company's consolidated financial statements, Article 3 states that financial statements must be prepared in conformity with the provisions of IASs:

> "If the most recent statements issued are consolidated financial statements, all subsequent financial statements shall be consolidated financial statements if the parent company has subsidiary or controlled companies, all in conformity with the provisions of International Standards which stipulate the same accounting policy at all times, and not on a selective basis".

---

[19] Issued by Virtue of Article (12/Q) and Article (123/B) of the Temporary Securities Law No. 76 for the Year 2002 Issued Pursuant to Decision No. (446/2005) of the Board of Commissioners of the Securities Commission.

[20] Issued by virtue of Articles 8 and 12 of Securities Law No 76 of the year 2002 and the Board of Commissioners Decision No 727 of 16 December 2007.

Moreover, it required the components of operational revenues and expenses to be disclosed either in the statement of financial position or the income statement of the company. The annual and interim financial statements should include comparative information from the previous year (Article 3 Third and Fourth parts).

The JSC has recently announced plans to develop and upgrade its electronic systems in the future. It has claimed that this development will improve the technological infrastructure of the JCM's institutions in cooperation with the EU. This project will: provide the JSC with a direct surveillance system; give the ASE a new trading system that meets the future objectives of the JCM; and link the database of the SDC with the market (JSC Annual Report, 2008).

The ASE is the second of the three institutions of the JCM. This entity was established on 11 March 1999 as a self-funded and administratively independent organisation. The ASE is the only official market for trading securities in Jordan (Al-Shiab, 2006). The ASE has four constituent parts: shares in listed companies traded on the first market and the second market, the bond market for debt securities, and a fund market for transacting in the securities of managed funds. The equity markets include three main sectors: Financial, Services and Industrial. The financial sector is made up of shares in: Banks, Insurance and Financial Services companies. The contents of the annual financial statements for all listed companies are supervised by the JSC; the banks sub-sector is also regulated by the Central Bank of Jordan (CBJ) and the insurance sub-sector is also monitored by the Insurance Regulatory Commission[21] (IRC).

In accordance with the Securities Law 2002, the JSC issued "Directives for Listing Securities on the Amman Stock Exchange for the year 2004[22]" which became effective on 1 July 2004. Any company that wishes to be listed on the ASE must: (i) be registered with the JSC; (ii) deposit its securities with the SDC; (iii) have no restrictions on transferring ownership of its securities; (iv) have an audit committee as requested in Securities Law 2002; and (v) have signed a listing agreement with the ASE that sets out the rights and obligations of the two parties (Article 3)[23]. If a company satisfies all of these requirements, its shares are listed on the second market after they obtain the right to start their operations from the MIT. Moreover, Article 7 states that a company can be promoted to the first market if it fulfils the following conditions:

> "to be listed for a full year at least on the second market; the company's net shareholders' equity must not be less than 100% of the paid-in capital; the company must make net pre-tax profits for at least two fiscal years out of the last three years preceding the transfer of listing; the company's (Free Float[24]) to the subscribed shares ratio by the end of its fiscal year must not be less than (i) 5% if its paid-in

[21] In 1999 the IRC was established as a financially and management independent entity. Issuing instructions for the insurance sub-sector in the JSC is the main purpose of this body as regards to the implementation of IAS/IFRS.

[22] Issued by virtue of the provisions of Article 72 of the Securities Law No. 76 of 2002.

[23] The additional requirements are that any security can be listed in the ASE once it is verified: the relevant securities are registered with the JSC; the relevant securities are deposited with the SDC; there are no restrictions on the transfer of ownership of relevant securities; there is an audit Committee at the Issuer, in the sense used in the Securities Law in force; and the Issuer has signed the Listing Agreement with the ASE, which determines the rights and obligations of the two parties in relation to listing of securities. Moreover, the Issuer must file the listing application for the entire issuance along with all of the required documents, as per the standard form made for this purpose.

[24] The "free float" refers to the number of company shares that are available for trading. For the purposes of these Directives, the following shares are not be deemed available for trading: (i) shares owned by the company board of directors' members or their relatives; (ii) shares owned by the mother, subsidiary or affiliate companies; (iii) shares owned by shareholders who own 5% or more of the company capital; (iv) shares owned by governments and public institutions; and (v) shares owned by the same company (treasury shares).

> capital is 50 million Jordanian Dinars or more (ii) 10% if its paid-in capital is less than 50 million Jordanian Dinars; the number of company shareholders must not be less than 100 by the end of its fiscal year; the minimum days of trading in the company shares must not be less than 20% of overall trading days over the last twelve months, and at least 10% of the Free Float shares must have been traded in during the same period."

A company may also have its shares relegated from the first market to the second market if its financial performance significantly deteriorates such that it no longer satisfies ASE requirements. Table 2.2 provides information about the size and the performance of ASE between 2004 and 2008.

Table 2.2 Key Statistics for the ASE 2004 - 2008

Market Profile	2004	2005	2006	2007	2008
Item					
Number of Listed Companies	192	201	227	245	262
Market Capitalization (JD Million)	13,034	26,667	21,078	29,214	25,406
Trading Value (JD Million)	3,777	16,871	14,210	12,348	19,838
Turnover Ratio (%)	36.3	85.0	59.5	49.1	72.7
	30.4	57.1	20.8	28.0	10.9
Price / Book Value Ratio	3.0	6.2	3.3	4.4	1.3
Dividend Yield (%)	1.5	2.2	1.1	1.5	2.1
Total Return Index	835.8	1838.4	1186.4	1600.8	1255.9
Change in Index (%)	57.8	120.0	-35.5	34.9	-21.5

Note: This table illustrate the key statistics for the ASE from 2004 to 2008 based on S&P the Global Stock Markets Factbook, 2009.

An inspection of this table reveals that the ASE had grown rapidly over this five-year time span. For example, the number of listed firms has increased from 192 to 262 while trading value has risen by over 500 percent. Market capitalisation has grown by a factor of 3 between 2004 and 2007; it declined slightly in 2008, presumably as the global financial crisis affected Jordanian equities (Alkulaib et al., 2009). The ASE displays all of the characteristics of an emerging market (Lesmond, 2005; Aguiar and Gopinath, 2007; Al-Zubi et al., 2010): fast growth, volatile price/earnings ratios and low dividend yields. In addition, the annual returns available from investment in the ASE have varied dramatically; they ranged from a low of -35.5 percent in 2006 to a high of 120.0 percent in 2005.

The SDC is the third of the three institutions which constitute the JCM; it was established on 10 May 1999. It is a not-for-profit legal entity, with financial and administrative autonomy from the government. It is operated by a board of directors from the private sector. The objectives of this entity are: (i) to register and transfer ownership of securities traded on the ASE; (ii) to ensure the safe custody of securities; to settle the prices of securities among brokers; and (iii) to monitor the capital market (SDC Annual Report, 2008). According to Article 77-A of the Securities Law 2002, the SDC should perform the following functions:

> "Register, safe-keep, and transfer ownership of securities; deposit securities; and clear and settle securities".

The SDC in association with the JCM and the ASE co-operate in order to create an efficient market. The importance of the SDC derives from its recognition by the Association of National Numbering Agencies and the JSC in Jordan for the assignment of International Security Identification Numbers (ISIN). Thus, all share books at the SDC are numbered according to the ISIN numbering scheme.

The SDC[25] has developed software to help it achieve its objectives and perform its functions. Specifically, it has: (i) a Registry System for registering securities; (ii) a Depository System which records the particulars for each deal and links to their accounts on the shareholder register; (iii) a clearing system that prepares

25 The SDC in association with the JCM and the ASE co-operate in order to create an efficient market. This importance of the SDC derives from its recognition by the Association of National Numbering Agencies and the JSC as the sole numbering agency in Jordan for the assignment of International Security Identification Numbers (ISIN). Thus, all share books at the SDC are numbered according to the ISIN numbering scheme.

the trade contract between broker-dealers; and (iv) a Settlement System which settles trades on a Delivery Versus Payment principle (SDC Annual Report, 2009; Al-Zubi et al., 2010).

2.4.2 The Companies Law No. 22 of 1997 and its amendments in 2002

The Companies Act 1989 was fairly limited in its discussions of disclosure requirements for listed companies. As a result, the MIT issued Companies Law No. 22 of 1997 to aid the new economic strategy of the country, to encourage investments and to limit routine procedures; it consisted of 289 articles. This Law was revised in 2002 in accordance with the Securities Law 2002. Currently, Securities Law 2002 operates to regulate the JCM and mandate disclosure requirements for listed public companies, while Companies Law 1997 is valid for Jordanian corporate entities in general. Specifically, the Companies Law 1997 focuses on monitoring registered Jordanian companies. In particular, Article 3 states that:

> "The formation and registration of companies in the Kingdom shall be realized in accordance with this Law. And every company formed and registered under this Law shall be considered a Jordanian corporate entity, with its Headquarters situated in the Kingdom".

Furthermore, Article 6 declares that a registered company under this law must have one of the following forms: a general partnership; a limited partnership; a company with limited liability; limited partnership with shares; private shareholding company; and listed a public shareholding company. This study focuses on public shareholding companies listed on the ASE. Thus the rest of this section focuses on disclosure and auditing requirements of this form of company.

The Companies Law 1997 requires listed public companies to prepare and publish financial statements which give a true and fair view of their financial positions during the fiscal year. In particular, Article 140-A requires listed companies to prepare an annual balance sheet of the company, a profit and loss statement, and a cash flow statement – all of which must be certified by the companies' auditor.

It is worth noting that this Law was the first to penalise non-compliance by imprisonment for a term of one to three years, and by a fine of between one thousand and ten thousand Jordanian Dinars (JDs) for any person that prepared and published financial statements which did not provide a true and fair view of the company's financial position, conveyed incorrect information, incorporated incorrect statements in the report of the board of directors or in the report of its auditors, or concealed information and clarifications which should be declared according to the law (Article 278). It is also worth highlighting that this Law was the first that covered the significant issue of disclosure requirements for foreign companies and consolidated financial statements. For example, Article 243 stated that registered foreign company should:

> "A- the foreign company or entity registered pursuant to the provisions of this Law shall undertake the following: (i) to submit to the Controller[26] within three months from the end of each fiscal year its balance sheet and the profit and loss account of its operations in the Kingdom duly certified by a Jordanian licensed auditor; (ii) to publish the balance sheet and the profit and loss account regarding its operations in the Kingdom in at least two local daily newspapers within sixty days from the date of submitting these statements to the Controller; and (iii) the Minister[27] may exclude any company from implementing the provisions of clauses (i) and (ii) upon the recommendation of the Controller. B- the Controller or his representative may inspect the company books and documents and the

[26] The companies general controller.
[27] The Minister of Industry and Trade.

> company should make such books and documents available at his disposal".

Furthermore, this Law discussed the auditing requirements for a company's financial statements and listed the auditors' duties for a public shareholding company. For instance, Article 193-B required the auditors of any public shareholding company to audit the firm's accounts in accordance with approved audit rules, auditing profession principles and scientific as well as technical methods. Moreover, the auditors must be present at the shareholders' annual general meeting and answer questions about the company's accounts (Article 198). The auditors should also be independent of the company. In particular, the law provides that the auditors of the company must be independent of its directors, and must not work or be permanently employed on any technical, administrative or consultancy work for the company (Article 197).

The major change brought about by Companies Law in 2002, was that IASs had to be adopted. This was not a requirement of the 1997 Act which simply mandated that companies prepare accounts in accordance with GAAP (The Companies Law 1997, Article 184). According to the 2002 Act, Article 184 stated that:

> "A public shareholding company shall organize its accounts and keep its registers and books in accordance with the recognized international accounting and auditing standards".

Moreover, the Securities Law of 1997 (which was amended in 2002) mandated compliance with IASs (Article 24). The Securities Law 2002 in its instructions about company disclosures, stated that a company's financial statements should be prepared in accordance with IASs that were issued by the IASB (Article

14). In general, the new regularity system improved the compliance of listed companies with IAS/IFRS after 1998 through these laws and disclosure requirements.

2.4.3 The Accounting and Auditing Profession in Jordan

During the 1920s and 1930s, British rules and principles significantly influenced the accounting profession in Jordan; only British auditors were employed and the audit profession was mainly located at the office of one firm-Russell & Co. In 1944, Saba & Co[28] opened its first office in Amman as the first local audit company in Jordan. At the same time, George Khader & Co. transferred its permanent headquarters to Amman from the West Bank of Jordan (Al-Shiab, 2003). In the early 1950s, Whinney Murray & Co. opened branches in Jordan as a foreign audit firm. However, the accounting and auditing practices in Jordan were unregulated until the early 1960s (Adullatif and Al-Khadash, 2010).

In 1961, the Auditing Profession Practice Law No. 10[29] was issued. The accounting and auditing professions were loosely regulated under this Law. A weakness of this Law however was that it licensed accountants who had been in practice for two years or more in Jordan without taking into consideration any academic qualification or professional examination performance. Moreover, there were no official pronouncements on generally accounting principles, auditing standards or professional ethics that governed the audit profession in Jordan; it was mainly left to the audit profession to regulate itself. In the Audit Law No. 12 of 1964, all public companies' accounts had to be audited (Haddad, 2005). During the late 1970s and early 1980s, the Audit Bureau (AB) was established as the governmental

[28] In 1924, Saba & Co. was established in Jerusalem as the first audit company in that city.
[29] This is the first law regarding to the auditing profession issued in Jordan.

body with responsibility for entry into the auditing profession in Jordan (Suwaidan, 1997).

In Jordan, the breakthrough of the accounting profession occurred in 1985; the Auditing Profession Practice Law No. 32 of 1985[30] replaced the Auditing Profession Practice Law No. 10 of 1961. This Law established JACPA, and therefore set up the first accounting association in Jordan. Before JACPA, the AB supervised the accounting profession. Nowadays, the AB is still responsible for supervising the financial matters of the government and the public accounting profession. The private accountancy firms are monitored by JACPA. According to Suwaidan (1997), the main objectives of JACPA are:

> "(i) to develop the competence and independence of its members; (ii) to publish accounting principles for the training and awareness of its members; and (iii) to develop accounting and auditing standards that could best meet the needs of the country" (p. 78).

In 1989, JACPA adopted IASs and encouraged Jordanian companies to implement IASs on a voluntary basis from January 1990. However, it had no power to force Jordanian public shareholding companies to comply with IASs until its recommendation was translated into legalisation. In October 1992, JACPA became a member of the International Federation of Accountants (IFAC), even though the role of JACPA in accounting regulation was voluntary as it had no authority to issue accounting or auditing standards. Thus, the objective of developing national standards was not something that was pursued. As previously discussed in this Chapter, the Securities Law (1997) clearly mandated the adoption of IASs. As a result, a number of foreign auditing firms opened branches in Jordan, including Deloitte & Touche,

[30] This Law was amendment by the Accountancy Profession Law No. 73 of 2003; both Laws were linked to the Prime Minister and Ministries.

Arthur Andersen[31], Ernst and Young, KPMG, and PriceWaterCoopers (see Appendix 1.3 for Eligibility Requirements under the Auditing Profession Practice Law 1985).

The Auditing Profession Practice Law (1985) was amended by the Accountancy Profession Law No. 73 of 2003, which is currently effective. There are no major amendments for the auditing profession, and the requirements are still the same as the previous Law. Article 49 of the 2003 Law states that:

> "Suspected the Auditing Profession Practice Law No. (32) for the year 1985, to keep its regulations and instructions issued pursuant thereto applicable to the extent that not inconsistent with the provisions of this law, to be removed or replaced within a period not exceeding one year from the date of entry into force of the provisions of this law".

However, there are two major amendments for the Accountancy Profession under 2003 Law. Under this legislation, JACPA became a self-funded and administratively independent organisation (Article 7). JACPA was also attached to the High Council of the Accounting Profession[32] which gives it new powers such as responsibility to draft its regulations, disciplinary authority over its own members, and the right to inspect its members' working papers (Obaidat, 2007; Al-Akra, 2009; Abdullatif and Al-Khadash 2010).

2.4.4 Professional Accounting Bodies

A professional accountancy body is fundamental to the development of accounting practices in the country where it is operating (Willmott, 1986). For

---

[31] This audit firm voluntary surrendered its licenses of CPA in 2002.

[32] The High Council of the Accounting Profession was created under the Accountancy Profession Law 2003, and replaced the Public Auditing Profession Board of the Auditing Profession Practice Law (1985). In general terms, this Council is responsible for monitoring and overseeing the auditing profession as well as the approval of applicable accounting and auditing standards. However, it is not responsible for examining and enforcing accounting and auditing standards (ROSC, 2004). JACPA is supervised by this Council for examination of its new members and its corporate governance.

instance, the Institute of Chartered Accountants in England and Wales (ICAEW) and Institute of Chartered Accountants of Scotland (ICAS) support, contribute to and sponsor many studies in different accounting fields inside and outside the UK. JACPA is the professional accounting body in Jordan. This association improved its operations with the enactment of the new Accountancy Profession Law in 2003.

However, JACPA has experienced difficulties when operating as a professional body in Jordan; it has a dearth of resources and no quality assurance procedures to follow (Naser et al., 2007). Moreover, a majority of accounting professionals do not recognise JACPA as the appropriate body to represent their interests. In 2004, the Report on the Observance of Standards and Codes (ROSC) issued by the IMF argued that JACPA:

> "lacks resources to properly function as an effective professional accountancy body in compliance with IFAC membership obligations; examination system appears not to meet IFAC educational standards, the capable college/university graduates show little interest in taking the JACPA examination; many professionals in Jordan perceive JACPA as an "elite club," a "closed society," and an "irrelevant body" of accounting and auditing professionals; and without a quality assurance mechanism, JACPA cannot ensure that its members comply with international standards" (Para 17).

Moreover, the IMF recommended that in order for JACPA to start implementing best international practices, it should strengthen its powers by seeking financial assistance from members and the state (Para 43).

2.4.5 Accounting Education

Education in Jordan starts with kindergarten and continues with primary and secondary high school, ending up for some children with university. The quality of education in Jordan is generally thought to be high (The National Report on Adult

Education in Jordan, 2008) and its contribution to the development of one of the most highly skilled workforces in the region is well known (Hutaibat, 2005). However, this generally high standard of attainment has not fully penetrated the accountancy profession in Jordan. The secondary high school is the starting point for accounting education in Jordan. The subject of accounting was introduced into the curriculum mainly to serve the demands of private companies and government agencies for bookkeepers and clerks (Helles, 1992; Khasharmeh, 1995). This introduction to accounting within secondary school is then built upon at university level.

Currently, there are 21 public and private universities that offer accounting programmes in Jordan following the credit-hour system in teaching. Of these, the three main public universities that teach accounting in Jordan are[33]: (i) the University of Jordan which was founded in 1962, (ii) Yarmouk University which was established in 1976, and (iii) the Hashemite University which commenced teaching in 1996. These financially and administratively independent universities[34] have adopted the US university system. The teaching language varies from one university to another; some universities only teach in Arabic while other universities use a mix of Arabic and English in their teaching. For instance, at Yarmouk University the official teaching language is English and foreign text books are recommended, but Arabic is used generally. The Jordanian universities offer Bachelor and Master's degrees in accounting, but no PhD programme in the subject currently exists at any of the 21

[33] Based on the number of registered students (Ministry of Higher Education and Scientific Research, 2009).

[34] These public universities are financially and administratively independent juridical persons. According to the Jordanian Universities Law No. 20 of 2009, Article 3 therefore "the university shall have the right to own movable and immovable property and conduct all legal procedures, including entering into contracts; borrowing money after the approval of the Council of Ministers; acceptance of subsides, donations, grants, scholarships and wills; also shall have the right to litigation and to carry out all the legal and judicial procedures, either directly or through the Civil Attorney-General, or hiring any other lawyer for this purpose".

universities in Jordan. Thus, while the Jordanian universities have degrees in accounting which develop the importance of accounting education they still lack the status of other subjects where doctoral courses exist. In addition, the nature of the accounting programmes that are offered mainly aims to produce students who are aware of accounting theories but lack practical skills such as information technology and languages; graduates are usually only familiar with routine work skills and do not have the understanding to be problem solvers (Helles, 1992; Tabari, 2000; Hutaibat, 2005). One consequence of this feature is that the academic and the professional communities are not linked in Jordan. For example, Hutaibat (2005) has argued that:

> "There is a considerable gap between the academic community and the professional community of accountants in Jordan. This is proven by the lack of journals, lectures, seminars, research and cooperation between the two parties" (p. 44).

According to Hutaibat (2005), accounting education is influencing the accounting profession to any great extent. However, it does provide some foundation upon which the profession does build. Therefore, accounting education has a small influence on financial disclosure in Jordan through the accounting students/graduates which it produces.

2.5 Conclusions

Jordan has made remarkable steps in economic terms, legislative reforms and integration into the global economy over recent years. These significant steps have occurred with the help of the government's reform programs that have transformed Jordan into an open, export-led economy. The current economic growth has lead to a larger manufacturing base that is able to export and compete on a global scale (i.e. pharmaceutical manufacturing sector). However, growth is erratic; Jordanian exports lost one of its main markets in the region as well as the Iraqi oil grant because of the recent war of Iraqi.

The country has also adopted a policy of promoting technology adoption and tax-free economic zones (i.e. recently ASEZ) to encourage overseas investment. This policy has been forced upon the country because Jordan lacks natural resources, specifically oil and water. However, the Jordanian workforce is one of the best educated compared to its other counterparts in the region. The workforce is highly educated with low labour costs. Currently, the country is becoming a centre for services within the region.

As the introduction of this Chapter mentioned, the disclosure of information by companies depends on a country's level of development, the existence of a sophisticated financial market, mandatory legislation, and the development of accounting profession. This Chapter examined the role of legislation, the profession, education and the JCM in influencing the financial reporting framework and the disclosure practices of public shareholding companies. Moreover, it explored the financial reporting framework in Jordan.

Prior to 1997, there was no legally established accounting and auditing standard setting body in Jordan. Accounting practices were mainly regulated by the MIT with a minor role played by the private sector and JACPA. There was no enforcement mechanism to make sure that the companies complied with the disclosure requirements of the laws that were issued. In addition the requirements of laws issued before 1997 were vague with no set form or specific content for financial statements laid down. Indeed, accounting regulation in Jordan suffered many weaknesses. In 1997, the capital market of Jordan witnessed a sizeable transition that began with the issuance of the Securities Law No. 23 of 1997 aimed at reforming the financial market and improving disclosure standards. Currently, two laws (the Companies Law No. 22 of 1997 and the Securities Law No. 76) have mandated the use of IAS/IFRS that are issued by IASB by all Jordanian public shareholding companies. Thus, Jordan has adopted IASs since 1997; this long time span makes Jordan an appropriate country for researching the perspectives and experiences of Jordanian stakeholders about IFRS 8 since external auditors, preparers and users of financial statements will already be familiar with other IASs, including IAS 14R. Further, Jordan is an open economy where companies operate in different business areas and with experience of international exports to many countries across the world; thus the issue of segmental reporting and compliance with IFRS 8 should be of interest to Jordanian stakeholders. Furthermore, prior research suggests that compliance with the previous standard (IAS 14R) in the segmental reporting area was poor (Suwaidan et al., 2007); it will be interesting to see whether the emphasis on greater compliance that has been introduced with the new legislation will lead to a marked improvement in the disclosure of segmental information under IFRS 8.

Chapter 3

Literature Review

3.1 Introduction

The current chapter highlights the key studies and important research findings relating to the issue of segmental reporting in general and the implementation of IFRS 8 in particular. This review of the literature aims to assist the reader by identifying the prior work that has been conducted in the area; it also indicates how the current thinking in this research field has evolved and helps to identify the contribution of the thesis in relation to previous work done in the area. Section 3.2 provides an overview of the US, UK and international requirements on segmental reporting. Section 3.3 is divided into two parts: (i) the first part reviews prior studies that have examined the impact of segmental reporting standards on corporate disclosures in developed countries; and (ii) the second part reviews studies that have investigated this topic in developing countries such as Malaysia and Jordan. Section 3.4 examines the findings of previous studies that have investigated the perceptions of preparers, auditors, regulators and users on the impact of IFRS 8. Section 3.5 provides a summary and conclusion.

3.2 Accounting Standards Regulating Segmental Reporting

The Financial Accounting Standards Board (FASB) was one of the first regulatory bodies to adopt a standard on segmental reporting; it issued SFAS 14 which governed segment reporting in the US during the late 1970s, all of the 1980s and the early stages of 1990s. This standard required footnote disclosure for business segments, defined as “components of an enterprise engaged in providing a product or service or a group of related (similar) products or services to customers for a company profit” (FASB, 1976, para 10). In June 1997, FASB issued a US new segmental reporting standard, SFAS 131 that adopted the management approach to the definition of a segment in which externally reported segments were those which were used internally by the Chief Operating Decision Maker (CODM) (FASB, 1997, para 4).

In the UK, the Accounting Standard Committee (ASC) issued the SSAP 25 during June 1990[35]; this standard aimed to “provide information to assist the user of financial statements to appreciate more thoroughly the results and financial position of the entity by permitting a better understanding of the entity’s past performance and thus a better assessment of its future prospects, and to be aware of the impact that changes in significant components of a business may have on the business as a whole” (ASC, 1990, para 1). Internationally, IASC issued IAS 14 in August 1981 which was similar to SFAS 14 and SSAP 25 requirements. In August 1997, the IASC issued a revised standard, IAS 14 (Revised); in this standard, a company had to assess whether products or geographical areas were its dominant source of risk and returns; managers had to identify its primary and secondary segments based on products or geographical areas and disclose a detailed list of items for these primary and secondary segments (IASC, 1997, para 11). More recently, the IASB has issued IFRS 8 in November 2006. This standard adopts the management approach to defining an entity’ segments; IFRS 8 is therefore similar to SFAS 131 and was introduced to facilitate harmonisation between, international and US accounting standards (Tarca, 2004; Saudagaran, 2009). Table 3.1 chronicles the introduction of different accounting standards relating to segmental reporting. This section of the current chapter provides

[35] According to this standard, the entity should report in financial statements assets, profit and revenues for each reported class of business and geographical segment. SSAP 25 requires entities to identify reportable segments based on business and geographical areas that: “(i) earn a return on investment that is out of line with the remainder of the business, (ii) are subject to different degrees of risk, (iii) have experienced different rates of growth or (iv) have different potentials for future development” (ASC, 1990, para 8). Under SSAP 25, the following segmental information had to be disclosed: turnover[35], inter-segment sales if a material part of turnover, segment results, common costs that related to more than one segment, segment net assets, segment operating assets and liabilities, joint ventures (associated undertakings) and reconciliation to consolidated accounts.

an overview of these standards highlighting the similarities and differences which exist between them.

Table 3.1 Chronicles of Standards of Segmental Reporting				
Date Issued	**Pronouncement**	**Title**	**Issuing Body**	**Jurisdiction**
December 1976	SFAS 14	Financial Reporting for Segments of a Business Enterprise	FASB	USA
August 1981	IAS 14	Reporting Financial Information by Segment	IASC	International
June 1990	SSAP 25	Segmental Reporting	ASC/ICAEW	UK
June 1997	SFAS 131	Disclosure about Segments of an Enterprise and Related Information	FASB	USA
August 1997	IAS 14R	Segment Reporting	IASC	International
January 2006	ED 8	Operating Segments	IASB	International
November 2006	IFRS 8	Operating Segments	IASB	International

Note: This table shows the segmental reporting standards adopted from Crawford et al. (2010a). SFAS refers to Statement of Financial Accounting Standard, FASB refers to the Financial Accounting Standards Board, IAS refers to the International Accounting Standard, IASC refers to the International Accounting Standards Committee, SSAP refers to a Statement of Standard Accounting Practice, ED refers to an Exposure Draft, IASB refers to the International Accounting Standards Board and IFRS refers to an International Financial Reporting Standard.

In June 1997, the FASB as part of a joint project with the Accounting Standards Board of the Canadian Institute of Charted Accountants (CICA) issued Statement of Financial Accounting Standard (SFAS) No. 131 “Disclosures about Segments of an Enterprise and Related Information” (FASB, 1997, para 1), which became effective for fiscal years beginning after the 15 of December, 1997 (FASB, 1997). This standard was the culmination of four previous attempts to regulate the disclosure of segmental information in the US; SFAS 131 superseded the following SFASs:

1) “No. 14, Financial Reporting for Segments of a Business Enterprise;

2) No. 18, Financial Reporting for Segments of a Business Enterprise—Interim Financial Statements;
3) No. 24, Reporting Segment Information in Financial Statements That Are Presented in Another Enterprise's Financial Report; and
4) No. 30, Disclosure of Information about Major Customers" (FASB, para 2, 1997).

SFAS 131 required that any segment information reported must be consistent with how a company is organised internally by management. In other words, this standard adopted the "management approach" whereby a segment is determined by how the management organises the enterprise when making operating decisions and assessing performance (FASB, 1997, para 4). This was a dramatic change from the previous US standard (SFAS 14) which had required segments to be identified by (i) Line of Business (LOB) defined as "industries" based on the similarity of products and services[36]; and (ii) geographic areas (FASB 1976, para 7, 11 and 12). Under SFAS 131 an entity was required to disclose more segment information than SFAS 14. Moreover, SFAS 131 required entities to report narrative disclosures, which had not been mandated under SFAS 14. However, both SFAS 14 and SFAS 131 required the same reconciliations of total reportable segment items to the entity consolidated items. Table 3.2 highlights the disclosures required by both SFAS 14 and SFAS 131.

[36] Using an industry classification scheme such as the Standard Industry Classification (SIC) system and the Enterprise Standard Industrial Classification (ESIC).

Table 3.2 Disclosure Requirements of SFAS 14 and SFAS 131	
SFAS 14	**SFAS 131**
For each reportable segment (industries or geographic areas): - Revenues; - Profit; - Other profitability information (measure of profit); - Assets; - Depreciation; - Capital expenditure; - Enterprises' net income from investments (para 22 and 27).	For each reportable operating segment: - Revenues (external and inter-sales); - Profit; and - Assets; If reviewed by the CODM: - Capital expenditure; - Interest revenue; - Interest expense; - Depreciation; - Equity in the net income of investees accounted by the equity method; - Income tax expense; and - Other non-cash expenses (para 27).
Reconciliations of total reportable segments (item) to the entity consolidated (item): - Revenue; - Profit; and - Assets (para 30).	Reconciliations of total reportable segments (item) to the entity consolidated (item): - Revenue; - Profit; and - Assets (para 32).
If applicable, foreign operations and export sales: - Revenue; - Operating Profit; and - Assets (para 35).	Enterprise-Wide (Narrative) Disclosures, information about: - Products and Services; - Geographic Areas; and - Major Customers (para 36).

Note: This table shows the disclosure requirements of SFAS 14 and SFAS 131.

IAS 14R replaced the original IAS 14 "Reporting Financial Information by Segment" for years beginning on or after 1 July 1998; it changed how segments were to be identified by companies adopting IASs. Data on both business and geographical segments had to be disclosed; the main feature of IAS 14R was that one of these data types had to be identified as the primary basis for segmentation and the other as the secondary basis; there were significant differences in the extent of disclosure requirements for both categories segment. Specifically, the nature of a firm's risks and rewards governed whether the primary basis of segmental reporting was business units or geographical areas (IASC, 1997, para 26). For instance, if risks and rewards were mainly influenced by differences in products and services, the primary format for reporting segmental information had to be business activities with geographic areas providing secondary segmental data. Thus, IAS 14R identified segments based on reportable units according to a two-tier approach as described by Street and Nichols (2002). Companies had to select either business class or geographic activities as their primary segments; the segment type not selected for the primary segments was then used to identify the secondary segments. Identifying segments required preparers to consider “the predominant source and nature of risks and differing rates of return facing the entity” (IASC, 1997, para 27). For primary segments, disclosure involved a great deal of information such as revenue from external sales, revenue from internal sales and the basis of internal segment pricing, segment results (profit), segment assets, segment liabilities, capital investments (expenditure), depreciation and amortisation expense, other non-cash expenses, profit from associates and joint ventures and reconciliation to the consolidated accounts for revenue, results, assets and liabilities. For secondary segments, disclosures only had to include revenue from external sales, segment assets and capital investment (expenditure). Finally, the type of products produced or services provided by business classes as well as the composition of geographic segments had to be disclosed (EC, 2007; IASC, 1997, Appendix C); specifically, an entity had to disclose these two requirements for both primary and secondary formats.

After issuing ED 8 in January/2006 which sought to replace IAS 14R, the IASB received 182 comment letters from a number of interested parties[37] and

[37] The 182 submissions to the IASB were from: 80 were from the Publish What You Pay coalition (PWYP) members, 45 were from preparers, 7 from users, 12 from standard setters, 29 from professional bodies, 7 from accountancy firms and 2 from ‘others’. Surprisingly, there were a “few submissions from traditional users of financial statements such as investors and analysts were submitted” (Crawford etl al., 2010a, p. 6). Interestingly, the PWYP argued that their primary concern

considered academic research findings relating to the introduction of SFAS 131 in the USA. In particular, the IASB met a number of financial statement users such as investors and analysts who supported the SFAS 131 approach to disclosing segmental information (IASB, 2006c). They also consulted prior studies which found that SFAS 131 enhanced the consistency, reliability and timeliness of segmental information (Herrmann and Thomas, 2000b, Street et al., 2000); these US investigations also showed that geographical and segment disclosures under SFAS 131 improved the ability of financial statement users to predict future earnings (Behn et al., 2002) and were reflected more quickly in a company's share prices (Ettredge et al., 2005). Consequently, the IASB decided to adopt the US approach because they believed that "(i) entities will report segments that correspond to internal management reports; (ii) entities will report segment information that will be more consistent with other parts of their annual reports; (iii) some entities will report more segments; and (iv) entities will report more segment information in interim financial reports" (IASB, 2006a, BC9). In addition, the IASB believed that IFRS 8 would reduce the costs of providing disaggregated segmental information as the information was already available for management's internal decision-making purposes (IASB, 2006a).

Therefore, in November 2006 as a part of its convergence programme with the FASB, the IASB issued IFRS 8 "Operating Segments"; this became effective for periods beginning on or after 1/January/2009 (IASB, 2006a). IFRS 8 requires segments to be identified in accordance with the management approach. Under the standard, companies must define operating segments on the basis of internal reports

---

was with "the impoverishment of developing/resource rich countries due, in part, to a lack of transparency in the financial flows from companies to governments" (Crawford et al., 2011, p. 17).

that are reviewed by the entity's CODM (IASB, 2006a). Moreover, according to IFRS 8 an operating segment is a component of an entity:

> "(i) That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (ii) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (iii) for which discrete financial information is available" (IASB. 2006a, para 5).

As with other standards in this area (SFAS 131, SSAP 25 and IAS 14R), IFRS 8 requires that an entity should report separately information about an operating segment if its reported revenue is 10 per cent or more of the combined revenue of all operating segments; or its assets are 10 per cent or more of the combined assets of all operating segments; or if the absolute amount of reported profit or loss is 10 per cent or more of the net income for all operating segments[38]. Operating segments that do not meet any of these quantitative thresholds but which management believe would provide useful information to the users of financial statements can also be considered suitable for reporting and separately disclosed (IASB, 2006a, para 13).

IFRS 8 replaced IAS 14R on November 2006. Table 3.3 summarises the requirements, differences and similarities of IFRS 8 and IAS 14R. An analysis of this table reveals that one of the major changes associated with this new standard was the management approach mandated in IFRS 8. Operating segments were to be identified on the basis of internal reports that were "regularly reviewed by the CODM[39] to make decisions about resources to be allocated to the segment and assess its performance" (IASB, 2006a, para 5); there was no distinction between primary and secondary

[38] In absolute amount of the combined reported profit of all operating segments that did not report a loss and, the combined reported loss of all operating segments that reported loss.

[39] Although IFRS 8 requires segments to be identified according to reports that are regularly reviewed by the CODM, it does not specify who the CODM should be. Clearly, this term was borrowed from the US standard - SFAS 131.

segments under IFRS 8 (see Table 3.3). In addition, while IAS 14R had required geographical analysis by segment[40], IFRS 8 only requires a geographic analysis of results for operating segments if such data were regularly reviewed by the CODM; no restrictions were placed on this requirement. Finally, IFRS 8 specifies the amount recorded for each operating segment item was to be the figure reported to the CODM. IAS 14R had required segment information to be prepared in accordance with the accounting policies applied in the preparation and presentation of the financial statements of the entity (see Table 3.3).

In contrast to IAS 14R, IFRS 8 only required that the basis of measurement for profit and total assets (as well as liabilities if regularly reviewed by the CODM) and reconciliations to the consolidated accounts be disclosed for each operating segment. Moreover, external revenue, internal revenue, interest revenue, interest expense, depreciation and amortisations, profits of associates and joint ventures, income tax expense and other non-cash expenses only had to be disclosed if these items were regularly reviewed by the CODM (see Table 3.3). In addition to this operating segment information, IFRS 8 also mandated EWDs for: products or services, geographical areas and information about major clients. This entity-wide information had to be disclosed if it was available and if it was judged to be material. IFRS 8 also specified that those factors used to identify an entity's reportable segments and the types of products and services supplied should be classified as general information.

[40] This could be limited if such data is classified as secondary segmental information.

Table 3.3 the Main Components of SFAS 131, IAS 14 and IFRS 8			
Component	**SFAS 131** **Issued By FASB**	**IAS 14R** **Issued By IASC**	**IFRS 8** **Issued By IASB**
Title	Disclosures about Segments of an Enterprise and Related Information	Segment Reporting	Operating Segments
Purpose of Segmental Information	To provide information about the different types of business activities in which an entity engages and the different economic environments in which it operates to help users of financial statements a) better understand the entity's performance; b) better assess its prospects for future net cash flows; and c) make more informed judgments about the entity as a whole (para 3).	To help users of financial statements a) to better understand the enterprise's past performance; b) to better assess the enterprise's risk and returns; and c) to make more informed judgements about the enterprise as a whole (para 1).	To enable users of financial statements to evaluate the nature and financial effects of the business' activities in which it engages and the economic environments in which it operates (para 1).
Applicability	Public business entities that have issued debt or equity securities that are traded in a public market that are required to file financial statements with the Securities and Exchange Commission (SEC), or that provide financial statements for the purpose of issuing any class of securities in a public market (para 9).	An entity whose equity or debt securities are publicly traded or in the process of issuing equity or debt securities in a public securities markets (para 3), in countries became members of IASB and adopted its standards which did not apply IFRS 8 yet.	- Individual financial statements of a firm and consolidated financial statements of a group, whose debt or equity is traded in a public market; or an entity files which fits its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instrument in a public market (para 2), in countries became members of IASB and adopted it's standards which applied IFRS 8 on effective date or on early basis.
Determining Reportable Segments	Adopts the management approach, focuses on financial information that an entity's decision makers use to make decisions about the entity's operating	"Adopts the two-tier approach" (Nichols and Street, 2007, p 54), requiring companies to report both products/services and geographic segments as primary reportable[41] and secondary formats. The	Adopts the management approach, requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker[42] in order to

[41] "A reportable segment is a business segment or geographical segment identified based on the foregoing definitions for which segment information is required to be disclosed" (IASC, 1997, para 9).

	matters and its operating segments (para 5).	entity's internal financial reporting system and its organisational structure is the basis for identifying its reported segments (para 13).	allocate resources to the segment and assess its performance.
Factors considered when Identifying Segments	"An operating segment is a component of an enterprise: a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same enterprise); b) whose operating results are regularly reviewed by the enterprise's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and c) for which discrete financial information is available" (para 10).	For business segment, company shall be considered the following factors: a) the nature of the products or services b) the nature of production process; c) the type or class of customer for the products and services; d) the methods used to distribute the products or provide the services; and e) the nature of the regulatory environment, for example, banks or insurance companies (para 9). For geographical segment, managers should focus on the following factors: 1) a) similarity and stability of economic climates and political conditions; b) exchange control regulations; c) underlying currency risks; d) proximity of operations; and e) relationships between operations in different geographical areas (para 9).	"An operating segment is a component of an entity: a) that engages in business from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); b) Whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and c) For which discrete financial information is available" (IFRS 8, para 5). These three characteristics of operating segments clearly identify entity operating segments. However, other factors may identify a single set of components as an entity's operating segments, including a) the nature of the business activities of each component; b) the existence of managers responsible for them; and c) information presented to the board of directors. (Para 8).
Amounts Disclosed by Segment	Focuses on segment information that reflects the manner in which the entity manages the business.	Focuses on segment information that is consistent with the consolidated financial statements of a company.	Focuses on segment information that reflects the manner in which the entity manages the business.
Disclosure of Segmental Information	For each reportable operating segment: - revenues (external and inter-sales) - profit - assets - reconciliations to consolidated accounts (para 27).	Requires the following disclosures for each primary segment: - revenues (external and inter-segment sales) - results - assets - basis of inter-segment pricing	Requires the following disclosures for each reported segment: - profit or loss, including specified revenues and expenses included in reported segment profit or loss - assets - liabilities

[42] The term 'chief operating decision maker' identifies as a function to allocate resources to and assess the performance of the operating segments of an entity. This function is not necessarily a manager with a specific title, often the entity chief executive officer, chief operating officer or a group of executive directors (IASB, 2006a, para 7).

		- liabilities - capital expenditures - depreciation and amortisation - other non-cash expenses - equity method income - reconciliation to consolidated accounts (para 50 – 67)	- basis of measurement these disclosures - reconciliations to consolidated accounts (para 23 and 28).
	For each reportable operating segment, if reviewed by the CODM: - capital expenditure - interest revenue - interest expense - depreciation - equity in the net income of investees accounted by the equity method - income tax expense - other non-cash expenses (para 27).	For secondary segments, the standard requires the disclosure of - revenues (external sales only) - assets - capital expenditures (para 68 – 72)	Requires the following disclosures for each reported segment, if reviewed by the CODM: - external revenue - internal revenue - interest revenue - interest expense - depreciation and amortisations - profits of associates and joint ventures - income tax expense - other non-cash expenses (para 23)
	Requires enterprise-wide disclosures about: - products and services - geographic areas - major customers (para 36).	Other disclosures for each reportable segment: - type of products/services of business classes - composition of geographic segments (para 81)	An entity shall disclose the following general information: - factors used to identify an entity's reportable segments, including its basis of organisation[43] - types of products and services from which each reportable segment derives its revenues (para 22)
		If an entity reports its business classes as its primary segment, then it shall report its geographic segments as secondary segment and visa versa.	Requires entity-wide disclosures and information about: - an entity's products and services - an entity's geographical areas - an entity's major customers[44] (para 32 – 34)

[43] For instance, whether management has chosen to organise the entity around differences in products and services, geographical areas or regulatory environments (IASB, 2006a, para 22).
[44] An entity shall report these three information, unless the necessary information is not available and the cost to develop it would excessive (IASB, 2006a, para 33)

Thresholds of Segmental Information	An entity shall report separately information about an operating segment if a) its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10 percent or more of the combined revenue, internal and external, of all reported operating segments; b) the absolute amount of its reported profit or loss is 10 percent or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss or (ii) the combined reported loss of all operating segments that did report a loss; and c) its assets are 10 percent or more of the combined assets of all operating segments (para 18).	Business segment or geographical segment becomes reportable segment if a majority of its revenue is earned from sales to external customers and a) its revenue from sales with external customers and from transactions with other segments is 10% or more of total revenue of all segments; or b) its segment result is 10% or more of the combined result of all segments, or (c) its assets are 10% or more of total assets (para 35). - Total external revenue of identified reportable segments should constitutes 75% of the total entity revenue, if total reported segments are less than this percentage, additional segments should be identified as reportable even if they do not meet the 10% thresholds (para 37).	Entity shall report separately information about an operating segment if a) its reported revenue (including sales to external customers and intersegment sales) is 10% or more of the total revenue of all operating segments; or b) the absolute amount of its reported result is 10% or more of the greater, in absolute amount, of the total reported profit of all operating segments that did not report a loss and the total reported loss of all operating segments that reported loss; or c) its assets are 10% or more of total assets of all operating segments[45] (para 13). - Total external revenue of identified operating segments should represents 75% of the total entity revenue, if total reported operating segments are less than this percentage, additional segments should be identified as reportable even if they do not congregate the 10% quantitative thresholds (para 37).
Combination of Segmental Information	An entity may combine information about operating segments that do not meet the quantitative thresholds with information about other operating segments that do not meet the quantitative thresholds to produce a reportable segment (para 19).	Two or more reported business segments or geographical segments may be combined as a single business segment or geographical segment as they reveal similar long-term financial performance and they are similar in all factors of identifying segments (para 34).	Operating segments may be combined as a single operating segment as they often exhibit similar long-term financial performance, they have the same economic characteristics and they are both in consistent with the purpose of this IFRS (para 12).
Effective Date	For periods beginning after 15/December/1997.	For periods beginning on or after 1/July/1998, suspended by IFRS 8.	For periods beginning on or after 1/January/2009. Earlier adoption is permitted.

[45] "Operating segments that do not meet any of the quantitative threshold may be considered reportable, and separately disclosed, if management believes that information about the segment would be useful of the financial statements" (IASB, 2006a, para 13)

3.3 Prior Empirical Studies on Segmental Reporting

Segmental reporting has been a difficult issue for standard setters over many years (Rennie and Emmanuel, 1992; Emmanuel et al., 1999; Edwards and Smith, 1996). For instance, under IAS 14R, concerns were raised about the disclosures which companies were required to make (Jermakowicz and Gornik-Tomaszewski, 2006). Yet, the substantive literature suggests that segmental reporting provides important information for the decisions of financial statement users including analysts (Herrmann and Thomas, 2000a). For example, Street and Nicholas (2002) argue that segmental information supplies disaggregated information for analysts and other users of financial statements to incorporate into security valuation models. Ettredge et al. (2005) suggest that segmental information helps investors better understand an entity's performance by allowing them to estimate future cash flows more accurately. Balakrishnan et al. (1990) and Behn et al. (2002) find that analysts' forecasts of income and turnover are more accurate when geographic segmental data are employed. This section discusses the prior studies about segmental information mandated under SFAS 131, SSAP 25 and IAS 14R. The next section will examine the small but growing literature which has investigated the impact of IFRS 8.

3.3.1 Developed Countries

This section discusses the prior studies of segmental reporting in developed countries. Specifically, the section investigates the literature that has been published about segmental reporting in the US, UK and other European countries[46]. A decision

[46] Some studies have investigated segmental reporting practices in Japan (i.e. Mande and Ortman, 2002). However, the current study discusses prior studies conducted in the US, the UK and other European countries for several reasons. First, the IASB used the impact of SFAS 131 in the USA as a justification for the IFRS 8. Specifically, the IASB referred to SFAS 131 and the fact that its introduction lead to a greater level of disclosure and more disaggregated segmental information with

was taken to group empirical investigations into these three geographical areas because different standards were in place for the various locations over the past 40 years; any other discussion of the literature might have compared studies which were examining the impact of different segmental reporting accounting standards.

3.3.1.1 The United States

Most recent studies of segmental reporting in the US have compared the quantity and usefulness of disaggregated information produced under SFAS 131 which was mandated by FASB for periods beginning after 15/December/1997. SFAS 131 specified that geographical information published as entity-wide disclosures. FASB argued that these new disclosures would provide useful information for investors and other financial statement users in companies that derive revenues from customers in foreign countries (FASB, 1997, para 104 and 105). Specifically, this was the first time that the FASB required entity-wide disclosures; such disclosure was mandated in order to provide users of financial statements with information about the risks and growth prospects of the companies that they invested in (FASB, 1997, para 38). With data for 172 companies, Behn et al. (2002) examined whether segmental information disclosed under SFAS 131 did help financial statement users understand the risks and growth prospects of their investee companies. They found that in excess of 50% of their sample companies provided more accurate segmental information

---

the management approach; presumably, they expected a similar effect for IFRS 8. Second, a number of commentators in the UK and continental Europe expressed concerns about a possible reduction in the quality and quantity of segmental information that would be published under IFRS 8 (FRRP, 2010; Crawford et al., 2010a). Third, IFRS 8 was seen as a 'site of conflict' between the European Parliament and the IASB (Crawford et al., 2011). In other words, the current thesis focuses on the literature from US and European developed countries when building up a picture of whether or not the new standard will have an impact in Jordan. Moreover, these countries are selected when assembling the literature review to see whether the concerns discussed by commentators in the UK and other European countries are reflected in the views of Jordanian interviewees.

under the new standard (SFAS 131)[47]; hence, they concluded that SFAS 131 geographic disclosures had enhanced the ability of analyst to forecast a company's future earnings. Behn et al.'s (2002) findings supported the earlier conclusions of Balakrishan et al. (1990)[48]; according to this investigation, providing segment data in interim reports enhanced the ability of users to predict company profitability.

SFAS 14 specified an 'industry approach' to defining entity business class segments, where disclosures might not correspond to the internal organisation of a company. In contrast, the management approach of SFAS 131 required firms to identify business class segments that corresponded with how the management had organised the entity into operating units. Thus, under SFAS 14, companies could arguably hide the profitability of segments by grouping business classes into industries rather than disclosing more disaggregated data (FASB, 1997; Ettredge et al., 2005). Ettredge et al. (2005)[49] argued therefore that SFAS 131 provided segment disclosures that better enable users to assess a company's future earnings and cash flows. They used the Future Earnings Response Coefficient (FERC) methodology to assess this argument; the FERC was obtained by regressing current year share returns, against next year's corporate annual earnings plus control variables (include earnings growth, earnings persistence, and the information environment). Higher FERCs, would suggest that SFAS 131 disclosures forecast future earnings more accurately.

[47] Behn et al. (2002) examined whether forecasts of annual sales under SFAS 131 (annual reports of 1998) geographic information were more accurate than those using the geographic information mandated by SFAS 14 (annual reports of 1997).

[48] Balakrishnan et al. (1990) used 89 US multinational corporations' data from the Value Line data base. Two sets of geographic predictions were used; the first set assumed a perfect foresight (PF), which used the realised values of the macroeconomic variables; the second set uses various forecasts of the exchange rate and growth variables, considered the Random Walk Models and the Growth-Adjusted Models.

[49] Ettredge et al. (2005) sample period was six fiscal years divided into two: "pre-131" for fiscal year ended on December 1995 to November 1998, and the second period named "post-131" for fiscal year ended on December 1999 through November 2002, used a data of 6827 firms as a sample size.

Ettredge et al. (2005) documented that SFAS 131 increased the usefulness of financial statement disclosures for forecasting information and enhanced the predictive ability of business segment earnings. As expected, the FERC shifted upward when the new standard was adopted; the coefficient "post-131" was positive and significant at the 1% level. Ettredge et al. (2005) suggested that this shift in the FERC was due to the new qualitative requirements introduced by SFAS 131 (i.e. Entity-wide disclosure), rather than any increases in the number of disaggregated segments provided. In other words, as firms adopted SFAS 131, they experienced negative (positive) effects on FERC as they increased (decreased) the aggregation of their productive activities into segments.

Ettredge et al.'s (2005) findings were not totally surprising since users of financial statements had demanded that more segmental information be disclosed in the annual reports of entities; such segmental information was seen as useful (Street et al., 2000; Botosan and Stanford, 2005). For instance, many financial statement users indicated that they were interested in one part of a company (i.e. a specific business class or geographic segment) rather than the whole entity. However, the costs of preparing and publishing segmental information may exceed any potential benefits from these disclosures[50]. In particular, published segmental information may reveal a company's strategic position (i.e. a company's performance and investment strategy in its different business units or geographical areas) to its competitors, and possibly place the firm at a competitive disadvantage (Herrmann and Thomas, 2000a; Tsakumis et al., 2006).

[50] In addition, the costs of additional segmental disclosures may not be borne by those who benefit from the more disaggregated information being published (Edwards and Smith, 1996).

Several US studies investigated the impact of competitive disadvantage on the quality and quantity of segmental information provided under SFAS 131 as compared to that disclosed under previous reporting practices. For example, Tsakumis et al. (2006) employed a multiple regression[51] approach based on data for 115 listed companies from the Fortune 500 list; their selection focused on companies that were disclosing geographical information for foreign subsidiaries on a country-by-country basis as required under SFAS 131; thus, their results were limited to these segmental disclosures. As hypothesised, they found that entities were likely to provide less country specific information when they expected that such disclosures might place them at a competitive disadvantage, because the information might affect an entity's competitive position.

In addition, they indicated that firms which operated in several countries disclosed less foreign revenue details on an individual country-by-country basis since SFAS 131 had a materiality threshold of 10% of the combined revenue, internal and external, or assets of all reported operating segments. Tsakumis et al.'s (2006) results therefore supported Herrmann and Thomas's (2000a) argument that the number of foreign countries where an entity operates is negatively related to the amount of country-specific disclosures that are provided; any specific foreign country may be less likely to breach the materially threshold. Hence, managers avoid segmental disclosures based on individual countries and consequently reduce any potential competitive disadvantage from the publication of disaggregate data. Herrmann and Thomas (2000a) compared segment reporting disclosures under SFAS 14 in 1997

[51] The percentage of total foreign revenues disclosed by country represents the dependent variable, while the ratio of foreign revenues to total entity revenues represents the independent variable, and number of geographic segments disclosed by the entity, size of the entity and SFAS 14 reporting practice represent the controlled independent variables.

with new SFAS 131 disclosures in the 1998 annual reports for a sample of 100 Fortune 500 firms. The results indicated that SFAS 131 lead to more disaggregation of geographic segment information; however, there was no significant difference in the distribution of segments provided. In other words, the total number of individual country disclosures was 176 under SFAS 131 compared to 94 under SFAS 14; in contrast, the total number of broader geographic areas identified was 138 under SFAS 14 compared to 72 under SFAS 131. In general, both Herrmann and Thomas (2000a) and Tsakumis et al. (2006) found that the number of country-specific disclosures increased under SFAS 131 as compared to the previous standard which had been adopted in the US (SFAS 14). However, they did not investigate whether these disclosures under SFAS 131 were more informative compared to their counterparts provided under SFAS 14.

In addition to their investigation of the introduction of a new segmental reporting standard on the disclosure of geographical information for individual countries, Herrmann and Thomas (2000a) also analysed the contents of annual reports in the years before and after the adoption of SFAS 131. Specifically, they investigated whether the number of segments and items reported for each segment changed with the introduction of SFAS 131. Using data for 100 companies from the Fortune 500 list, Herrmann and Thomas (2000a) found that upon the adoption of SFAS 131, 50 firms in their sample increased the number of segments for which information was disclosed; eight firms decreased the number of segments for which information was reported; and 42 firms employed the same number of segments before and after the new standard was implemented. Further, the number of items disclosed for each segment increased under SFAS 131; the mean rose from 5.5 under SFAS 14 to 6.3

under SFAS 131 for the 71 firms that defined operating segments based on products and services.

Street et al. (2000) arrived at a similar conclusion for their sample of 160 US-domiciled companies from the Business Week list of Global 1000 companies. In accordance with Herrmann and Thomas' (2000a) findings, they discovered that the number of line of business segments increased following implementation of SFAS 131, particularly among those firms which had claimed to operate in only one activity under SFAS 14; specifically they found that more than 50% of their sample companies increased the number of operating segments reported, while only about 31% had no change. In addition, they noted that entities reported more items of information about each segment as well as more voluntary disclosures. They also documented an improved level of consistency between segment information and business units discussed in other parts of the annual report; 53% of their sample companies reported segments which were similar to the groupings described in other parts of the annual report after the adoption of SFAS 131.

Under SFAS 131 entities are required to identify operating segments, whereas under SFAS 14 disaggregated data had to be provided for business activities and geographic areas. There was some concern that the flexibility offered by SFAS 14 had been exploited by managers to avoid disclosing segmental information. Users of financial statements expressed concerns that the rules for defining segments under SFAS 14 had resulted in a smaller number of segments being identified; therefore, segmental information had become less useful (Association for Investment Management and Research, 1993). SFAS 131 was seen as a response to SFAS 14's flexibility with regard to providing segment disclosures (FASB, 1997; Herrmann and Thomas 2000a; Botosan and Stanford, 2005). Botosan and Stanford (2005)[52] investigated whether SFAS 131 had reduced this flexibility which SFAS 14 had allowed companies to employ. Specifically, they tested whether managers used criteria for identifying segments under SFAS 14 in order to avoid reporting segmental information, to hide poor performance or lessen the potential for competitive disadvantage. The data were drawn from 615 Compustat listed companies that had only disclosed a single segment under SFAS 14 in 1997 but which had reported multiple segments under SFAS 131 in 1998. They found that managers were avoiding the disclosure of segmental information which might place their firm at disadvantage; users thought that managers were concealing poor performance. Specifically, 340 firms (55%) seemed motivated to exploit the flexibility which had been inherent in SFAS 14 not to hide poor performance from the capital market, but to protect profits from competitors. This result confirmed the findings of Tsakumis et al. (2006) that companies tended to disclose less segmental information in order to avoid the publication of commercially sensitive data.

In the year in which SFAS 131 was adopted, entities had to group activities as operating segments in order to comply with the management approach. Herrmann and Thomas (2000a) found that the introduction of SFAS 131 resulted in 68 out of their sample of 100 companies changing the way that they defined their reportable operating segments. In fact, the remaining companies previously defined their segments under SFAS 14 in a manner consistent with the internal organisation of the

[52] Botosan and Standford (2005) computed a weighted average concentration ratio across the sample companies as segment sales present the weight, and compared this segment-based ratio to counterpart for the whole company. Based on the Herfindahl index employed, the competitive disadvantage increases as the concentration ratio decreases and vice versa.

company. Similarly, Street and Nicholas (2000) found that more than 80% of the 160 companies scrutinised in their study changed how segments were identified when SFAS 131's management approach was employed. Thus, the overall conclusion from the US literature in this area indicates that the introduction of SFAS 131 had an impact on how information was provided and the quantity of data supplied; in addition, this segmental data seemed to have more predictive value for investors.

3.3.1.2 The United Kingdom

The ASB issued SSAP 25 in June 1990[53], this was the first accounting standard which addressed the area of segmental reporting in the UK. Rennie and Emmanuel (1992) were the first study to examine the segmental reporting practices of UK companies before SSAP 25 become effective; they compared the annual reports of 70 companies (over the period 1988 – 89) with results from an earlier study by Emmanuel and Gray (1977) (which investigated data for the period 1975 – 76) to examine whether the introduction of SSAP 25 had resulted in more information being made available by UK firms or whether further support of the regulatory framework was necessary. They found that the level and quality of geographic segmental disclosure had declined in the period between 1975/6 and 1988/9. As a result, their results suggested that the introduction of a new standard in the area of segmental reporting did not always lead to enhanced levels of disclosure.

Under SSAP 25, the entity should report assets, profit and revenues in its financial statements for each reported class of business and geographical segment. Edwards and Smith (1996) sought to investigate whether information required by a

[53] This standard was suspended by IAS 14R in 1998. However, small and medium UK companies are still applying this standard currently.

new standard on segmental reporting (SSAP 25) was available to internal management before the date when the standard became effective. They also examined whether companies had voluntarily disclosed additional information mandated under SSAP 25 before it became effective; thus they studied the incidence of voluntary disclosure immediately before the introduction date of the standard. Finally the authors sought preparers' observations about the costs associated with SSAP 25 compliance. A survey of the financial statements for 103 companies from the Times 1000 listing was undertaken by the authors and three interviews were conducted. The results indicated that prior to the introduction of SSAP 25, the main reason advanced for not disclosing segmental information on a voluntary basis was the lack of a mandatory requirement; the second most common reason put forward was competitive disadvantage. After the standard became effective, they found that 32% of questionnaire respondents highlighted competitive disadvantage as an important issue. The interviews indicated that competitive disadvantage tended to be associated with geographic rather than business segment disclosures, although this varied according to the size of the company. Moreover, the interviewees suggested that companies which were unsure about their competitors' information or which reported under more inflexible rules than their competitors sometimes took reporting decisions to protect the interests of their own companies by attempting to limit any segmental information provided. Although based on a small sample, the authors suggested that auditors may need to look carefully at the 'truth and fairness' of segmental disclosures.

SSAP 25 determined reportable segment by thresholds; it specified that a segment should normally be considered as significant if a) its third party turnover is

10% or more of the total third party turnover of the entity; or b) its results are is 10% or more of the combined results of all segments; or c) its net assets are 10% or more of the total net assets of the entity (para 9). According to Emmanuel et al. (1999) one way in which companies could limit the potentially sensitive disaggregated information associated with segmental disclosures involved the 10% materiality threshold (from SSAP 25 guidance); company directors could use the 10% rule to combine segments which might convey useful information to competitors. To examine this hypothesis, they studied the financial statements for a sample of UK companies for 1989-1992 and 1995 under SSAP 25. They performed a Chi-square test on the number of segments disclosed in which turnover, profits and net assets were greater than, or less than 10% between 1989-1992 and 1992-1995. The results indicated that fewer, but larger segments were reported in the second sub-period when SSAP 25 became effective. Specifically, the trend for UK companies indicated that a smaller number of geographic and business segments were reported during the periods studied. In other words, Emmanuel et al.'s (1999) investigation concluded that the 10% rule had not improved the quality of business segmental disclosure.

3.3.1.3 Other European Countries

IAS 14R required companies to report both products/services and geographic segments as primary reportable and secondary format. The entity's internal financial reporting system and its organisational structure is the basis for identifying its reported segments (para 13). Street and Nicholas (2002) have examined the impact of IAS 14R on the disclosures of a sample of 210 European companies[54]; they focused on how companies implemented the "two-tier" approach of primary and secondary

[54] The sample included companies from countries such as Switzerland, Germany, France, Other Western Europe countries and Eastern Europe countries.

segments based on risk-return characteristics. Results indicated that 70 out of 210 (33%) companies did not report primary segment data under IAS 14R; in fact, these companies did not distinguish between primary and secondary segments in their annual reports. In addition, they found that their sample companies disclosed two or more segments rather than one single segment; indeed, only 70 companies disclosed one single segment under IAS 14R compared to 83 under the previous standard. Further, they documented that the number of segmental items reported dramatically increased under IAS 14R[55]. For instance, revenue, profit and assets were provided for primary segments by 140, 138 and 130 companies respectively under IAS 14R compared to 100, 99 and 93 companies respectively under the previous standard. According to Street and Nicholas (2002), 116 companies disclosed secondary segment information based on geographic areas while business units were used to identify primary segments. Some 24 companies based secondary segment disclosures on business activities with primary segments identified on the basis of geographic areas. Finally, Street and Nicholas (2002) reported that the consistency of segmental data increased slightly under IAS 14R; the percentage of their sample consistently referring to the same segments throughout their annual reports rose from 74% to 81%. In general, the authors concluded that the introduction of IAS 14R had resulted in a significant increase in the quality and quantity of segmental information provided to capital market participants and other financial statement users.

3.3.2 Developing Countries

The IASB requires entities to disclose the basis on which the financial statements are prepared as well as the accounting policies employed, in order to help

[55] 140 companies defined primary segments and secondary segments.

users of financial statements to understand and compare the performance of companies with those of other entities. This disclosure should faithfully represent the financial transactions entered into and consequently, influence the decisions made by users of financial statements in a positive rather than a negative manner (IASB, 2007a). This faithful representation of the 'true and fair' nature of company's position may place the firm at competitive disadvantage (Edwards and Smith, 1996; SEC Concept Release: International Accounting Standards, 2000; Talha et al., 2007).

The nature of any competitive disadvantage associated with segmental disclosures may appear as political pressure, client pressure or pressure from competitors (Edwards and Smith, 1996; Talha et al., 2006). Some prior studies have investigated the level of competitive disadvantage and its relationship to segmental reporting practices in emerging markets, such as in Malaysia and Jordan. For example, Talha et al. (2006)[56] used a multivariate regression with data for 116 listed companies disclosing segmental information in Malaysia for the period 2000 - 2001. They found no relationship between the level of competition faced by a firm and the quality of segmental data provided. Talha et al. (2007) used the same regression with the same sample size and variables as Talha et al. (2006) but added a new independent variable: the choice of business activity or geographical area as the primary segment criterion[57]. They found that the level of competitive disadvantage was greater for companies that disclosed geographical segmental data as the primary reportable segment; the relationship was not significant when firms disclosed segmental

[56] Talha et al.'s (2006) dependent variable was the level of competitive disadvantage, constructed from three financial ratios; operating margin, return on total assets and value-added ratio as the best indicator of companies' financial health and performance (Talha et al., 2006). The independent variables were the number of reported segments and company size.
[57] As required by the Malaysian Accounting Standard Board (MASB) No. 22, the entity shall defines its primary and secondary segments (Talha et al., 2007), which was similar to the requirement under IAS 14R. The first year adoption of MASB 22 was 2002.

information in other ways. In addition, Talha et al. (2006) and Talha et al. (2007) found that larger Malaysian companies suffered more from competitive disadvantage than smaller companies; company size in emerging markets was clearly a factor.

Multinational Companies (MNCs) are expected to disclose more segments in their financial statements, as these companies are operating in various industries and at different geographic locations; in addition, their financial statements are regulated and monitored by more regulatory bodies. Furthermore, the currencies of different countries are volatile; this exchange rate risk may decrease the predictive ability of future earnings and earnings quality for an MNC. This is especially true for MNCs operating in emerging markets; emerging market exchange rates are riskier since they tend to experience greater swings than the exchange rates of developed market countries (Martin and Poli, 2004; Talha et al., 2006). Martin and Poli (2004) argue that:

> "The risk inherent in emerging market operations and the inability to effectively hedge this risk many affect the quality of earnings of MNCs operating in emerging market regions" (p 201).

Martin and Poli (2004) investigated whether geographic segmental information was useful for users of financial statements of US MNCs operating in emerging markets, particularly the company's shareholders. This hypothesis was examined by estimating the earnings response coefficient (ERC) for the earnings quality of companies operating in emerging markets compared to their counterparts which only trade in the markets of developed countries (e.g. US) (Martin and Poli, 2004). Geographic segment data for a sample of 111[58] firms were collected and identified from

[58] The 111 geographic segments were identified for countries in three main regions: 72 segments in Latin American, 24 segments in African and 15 segments in Middle Eastern countries.

Compustat. Since earnings generated from emerging markets are riskier than profits from markets of developed countries, Martin and Poli (2004) hypothesised that companies in emerging markets have lower ERCs (i.e. lower quality of earnings) than these in markets of developed countries. As expected for all regions identified, they found that the coefficient for earnings quality in emerging markets (3.65), was considerably lower than the coefficient for companies which only operate in developed country markets (5.62). In other words, the earnings of MNCs from emerging markets are less value relevant (i.e. lower quality of earnings) than profits achieved in markets of developed countries; this means that the quality of earnings could be different across geographic segments. Therefore, the geographic segment information disclosed was useful for a company's shareholders since it allowed the earnings quality of companies to be compared (Martin and Poli, 2004).

To date, the only study about segmental reporting in Jordan has been conducted by Suwaidan et al. (2007). This was the first study about segmental disclosure practices among Jordanian listed companies; the authors argued that their study would be useful for all users of financial statements who considered segmental reporting as important information for decision making needs. Suwaidan et al. (2007) investigated the segmental information disclosed under IAS 14R by 67 Jordanian industrial companies listed on the ASE from annual reports published in 2002. Using a multiple regression test, they examined whether there was a significant positive relationship between the level of segmental disclosure and some company characteristics, such as size, financial leverage, the proportion of assets in place, earnings volatility, and the percentage of government ownership. Their disclosure index checklist based on IAS 14R requirements included eleven items for primary segments (revenue (external), revenue (internal), profit, assets, basis of inter-segment pricing, liabilities, capital expenditures, depreciation and amortisation, other non-cash expenses, profit from associates and joint ventures and reconciliation to consolidated accounts), three items for secondary segments (external revenues, assets and capital expenditures), and two items for other disclosures (type of products/services of business classes and composition of geographic segments). However, Suwaidan et al. (2007) only focused on the mandatory disclosures required by IAS 14R, without taking into consideration any voluntary disclosures that were taking place.

Applying their own disclosure index checklist, the authors found that the average disclosure of segmental items by the sample companies was only 15% of the information which should have been published under IAS 14R. Specifically, 42 companies provided under 10% of the mandated segmental disclosures, 12 companies between 10% - 20%, 6 companies between 20% - 30%, and 7 companies more than 30%. They suggested that this poor level of disclosure meant that the segmental information provided by Jordanian industrial companies was less useful than it might otherwise have been. Moreover, the findings of the regression analysis showed that there was a positive significant relationship between the level of segmental disclosure and (i) company size at the 5% level of significance and (ii) the percentage of government ownership at the 1% level of significance; there was no relationship with the other variables investigated. Overall, the adjusted R^2 was 21.7% which mean these variables explained over a fifth of the cross-sectional differences in segmental information disclosed.

The current thesis extends the Suwidan et al. (2007) study by employing a disclosure index checklist for investigating the impact of IFRS 8 on financial statements of Jordanian listed companies published in 2009 compared to those produced under IAS 14R in 2008; voluntary segmental disclosures provided by companies will be included in the disclosure index checklist for the current thesis.

3.4 Prior Empirical Studies on IFRS 8

Currently, standard setters have mandated the management approach for reporting segmental information in order to overcome the problematic issue of segment definition (Rennie and Emmanuel, 1992; Emmanuel et al., 1999; Edwards and Smith, 1996). Specifically, IFRS 8 converges with its US counterpart, SFAS 131, and requires companies to define its operating segments on the basis of internal reports that are regularly reviewed by the entity's CODM (IASB, 2006a).

Literature about the likely impact of IFRS 8 on the disclosure practices of companies is relatively scarce; reports by the European Commission (2007) and Veron (2007), and research by Crawford et al. (2010a) and Crawford et al. (2011) are the main exceptions to this generalisation. Veron (2007) highlighted the potential problems which firms might face when adopting IFRS 8. In particular, Veron (2007) considered the management approach as "not accompanied by sufficient safeguards to ensure that segments reflect economic reality and convey a proper understanding of risks" (p. 1), compared to the previous standard IAS 14R. Moreover, he highlighted that the segmental reporting disclosed under IFRS 8 was not required to be consistent with the consolidated financial statements[59], which might impact negatively on the value of the segmental information disclosed. Another concern raised by Veron (2007) was that the volume of geographical segmental information might decrease under IFRS 8 since it was no longer mandatory.

Crawford et al. (2010a) extended Veron's (2007) analysis by seeking the views of a small sample of preparers, auditors, regulators and users in 2008-2009 about the likely consequences of implementing IFRS 8 in Europe. They found that most interviewees considered the absence of mandatory geographical operating segments was uncontroversial; interviewee responses indicated that companies would continue to publish geographic segmental information because this data would be provided to the CODM. In addition, a majority of those interviewed suggested that the introduction of the management approach for the identification of operating segments was "unproblematic". However, a couple of concerns were noted; analysts who included segmental information in their equity valuation models were worried about the possible size of any difference between non-IFRS segmental disclosures and the figures reported in the financial statements. In addition, preparers indicated that information reported internally to the CODM might change as a result of companies complying with the management approach[60].

However, the European Commission (2007) concluded that the benefits of adopting IFRS 8 for European listed companies outweighed concerns raised by commentators. Specifically, the majority of preparers that commented on the ED 8

[59] IFRS 8 permitted to employ non-IFRS measurements for segmental reporting purposes (IASB, 2006a, para BC15).
[60] It should be noted that Crawford et al.'s (2010a) findings relate to interviews which took place prior to the introduction of IFRS 8.

were in the favour of IFRS 8's management approach for identifying segments and measuring segment information. In contrast, investors, users and auditors mainly argued against ED 8; they believed that "the quality of information provided by IFRS 8 would be reduced compared to IAS 14" (EC, 2007, p. 8).

Unfortunately, the early UK evidence about the implementation of IFRS 8 was not encouraging (FRRP, 2010). On 4th of January 2010, the UK regulation authorities expressed "concern about how companies are reporting the performance of key parts of their business in the light of the introduction of IFRS8". Specifically, following a review of a sample of interim financial statements for 2009 and the annual reports of "early adopters" for 2008, several companies were asked to supply additional information about their segments.

Most recently, Crawford et al. (2011) examined the adoption of IFRS 8 in the EU from a political lobbying perspective. Specifically, they investigated whether the EU had tried to use IFRS 8 in order to establish some authority over accounting policy within Europe; IFRS 8 was seen as a 'site of conflict' between the European Parliament and the IASB. They conducted interviews with preparers, legislators, regulators, auditors and users about the introduction of IFRS 8. They found that the interviewees described IFRS 8 as a "battleground for control over accounting standards within the EU" (p. 30). Particularly, some interviewees found that some members of the European Parliament were not prepared to simply adopt any standard which was issued by what they saw as an Anglo-America dominated IASB. Thus, interviewees suggested that debate over IFRS 8 within the Parliament sought to encourage the IASB to collaborate with the EU on the issue of new standards in the future in order to avoid such differences emerging. According to this analysis, the authors suggested that “the European Parliament tried to assert itself and establish some control over decision making about accounting standards to be applied in Europe by requiring the European Commission to conduct an impact assessment prior to IFRS 8’s endorsement” (p. 32).

The current study does not adopt a political perspective. Instead, it considers whether the quantity and quality of disclosures changed as a result of IFRS 8 being mandated for Jordanian listed companies. Moreover, the current thesis investigates perceptions of Jordanian auditors, preparers and users of financial statements about IFRS 8. Experiences of IFRS 8 are ascertained and views elicited on the usefulness of segmental information disclosed under the new standard for the decision making needs of users of financial statements of Jordanian listed companies. The researcher was not aware of any conflict between the IASB and politicians over the content of accounting standards. Therefore, decision useful was thought to be a more appropriate theory for underpinning the current work.

3.5 Conclusions

Despite concerns about IFRS 8, prior US studies on the impact of a standard similar to IFRS 8 (SFAS 131) have shown that the total number of segments reported and the total number of segmental items increased significantly when the management approach was adopted (Herrmann and Thomas, 2000a); the segmental items required by the previous US standard continued to be published under SFAS 131 and there was an increase in new disclosures required by SFAS 131 (if reported internally to the CODM), such as the income tax expense, interest expense, interest revenue, and other non-cash expenses. In addition, Street et al. (2000) found that consistency of segment information with other parts of the annual report improved when the management approach was adopted by the US standard setter. Discussion of SFAS 131's management approach has helped to build a picture about whether a new international standard (IFRS 8) will have the same impact in terms of increasing the level of disclosure which companies might provide about their segmental activities.

To the best of the researcher knowledge, Suwaidan et al. (2007) is the only study that investigated the level of segmental disclosure for a sample of Jordanian industrial companies' annual reports in 2002. However, Suwaidan et al. (2007) constructed their disclosure index based on IAS 14R requirements, and investigated no voluntary items within their checklist in contrast to the current study's checklist (see Chapter 5 for disclosure index checklist). Moreover, Suwaidan et al. (2007) only investigated the segmental disclosures of Jordanian industrial listed companies; the current study has examined the level of segmental disclosure for Jordanian listed companies across four sectors. One of this thesis's contributions therefore is that it builds upon the Jordanian study of Suwaidan et al. (2007) by investigating whether the introduction of IFRS 8 has increased compliance with segmental reporting requirements; it examines whether the introduction of IFRS 8 has raised awareness about segmental disclosure requirements among Jordanian listed companies and increased compliance since Suwaidan et al.'s analysis was undertaken. Further, relatively few studies have investigated the impact of IFRS 8 (exceptions to this include Crawford et al. 2010b and Crawford et al. 2011 in the UK). The current study provides more international evidence about the impact of this new standard on the quantity of segmental disclosure practices – especially in a developing country such as Jordan. In addition, it will be one of the first to ask a sample of stakeholders about the quality of the segmental information provided under IFRS 8. Moreover, conducting interviews with auditors, preparers and users of financial statements of ASE listed companies to examine their perception and experiences with the new segmental reporting standard should add to our understanding in this area. It will also contribute to our understanding of whether stakeholders consider that the quality and quantity of segmental information has changed under IFRS 8 relative to information that was provided under IAS 14R.

Chapter 4

Theoretical Framework

4.1 Introduction

Financial statements contain information which is provided by preparers in order to report to users "performance indicators derived from financial and non-financial information" (Walker, 2003, p. 4). There are many objectives associated with the information provided in the financial statements. According to Mathews and Perera (1996), for example, financial statements should demonstrate whether an entity has used its resources in an appropriate manner and satisfy the information needs of shareholders and creditors. However, it is widely recognised that the information included in financial statements not only affects these two groups of users, but may also influence employees, customers, government and society in general (Gray, 1995). Traditionally, the objective of financial statements has been to provide information for investors' decision making; it was argued that financial statements should help investors to assess the current financial position and future prospects of an entity (Marston, 1986). More recently, it is argued that the information requirements of other groups also need to be catered for since they may differ from needs of investors (Deegan, 2000). The currently accepted rationale of financial statements is therefore to "provide useful accounting information for all major groups of decision makers that meet their decision making needs" (Deegan, 2000, p.11). Thus decision usefulness theory has been adopted as the main criterion of conceptual frameworks that have been developed by several standard setting bodies (i.e. IASB, FASB) although they tend to focus on the investor and creditor user groups; moreover, prior studies have also adopted this theory to answer their research questions and underpin the theoretical frameworks of their studies (e.g. Dunne et al., 2008). Decision usefulness theory is also adopted in the current study.

The remainder of this chapter will describe decision usefulness theory as employed in the research. Specifically, the next section focuses on the definition of theory and its role within financial accounting research. Section 4.2 discusses decision usefulness theory to ascertain its suitability as a theoretical framework for the current study. Section 4.3 details how decision usefulness theory has been adopted by standard setters as well as prior researchers when conducting studies in this area; it also summarises the limitations associated with this theory. Finally, Section 4.4 concludes the chapter.

4.2 Theory

The role of theory is to guide researchers in the social sciences when developing their research questions, selecting a specific research method and interpreting the findings about their topic (Mathews and Perera, 1996). Adopting a theory ensures that:

> "Our practice will be more confident, our conclusions more informed, our services to management or to our clients more valuable" (Chambers, 1955, p. 18).

Thus, theory involves classifying events in a way that connects to our experiences (Chambers, 1972) and draws upon our understanding of society in general and accounting in particular. This section discusses the definition of theory and outlines its role in financial accounting research.

4.2.1 The Definition of Theory

Perspectives on what constitutes a theory are varied (Deegan, 2000). For instance, Kerlinger (1964) provides a general definition of theory:

> "[It is] a set of interrelated constructs (concepts), definitions and propositions that present a systematic view of phenomena by specifying relations among variables with the purpose of explaining and predicting the phenomena" (p. 11).

Hendriksen (1970) also adopted a fairly general definition; he defined a theory as "a coherent set of hypothetical, conceptual and pragmatic principles forming the general framework of reference for a field of inquiry" (p. 1). The objective of theory is to explain and predict the phenomena addressed (Belkaoui, 2004). Specifically, Schroeder et al. (2011) identified the objective of theory as having "a well-defined body of knowledge that has been systematically accumulated, organised, and verified well enough to provide a frame of reference for future actions" [sic] (p. 1). In the social sciences, most authors accept that theory helps researchers to articulate their views of the world and examine the social phenomena being investigated. Indeed, Alvesson and Deetz (2000) suggest that in the social sciences, theory is "a way of seeing and thinking about the world rather than an abstract representation of it" (p. 37). In the social sciences literature there is a strong link between theory and empirical research (Bulmer, 1986; Belkaoui, 1987). Specifically, May (2001) argued that to understand and explore the social world, researchers need a theory.

Accounting is seen as a human activity and thus, classified as a social science (Dillard, 1991). Deegan (2000) argued that:

> "Because accounting is a human activity (you cannot have 'accounting' without accountants), theories of financial accounting (and there are many) will consider such things as people's behaviour and/or people's needs as regards financial accounting information, or

> the reasons why people within organisations might elect to supply particular information to particular stakeholder groups" (p. 3).

Financial Accounting research therefore involves trying to understand the behaviours, needs, choices and attitudes of those preparing, using and regulating financial disclosures, and the impact of their actions (Walker, 2003). The next part of this section discusses the role of theory in financial accounting and specifically identifies the decision usefulness framework for interpreting and examining the financial reporting and disclosure practices of organisations.

4.2.2 The Role of Theory in Financial Accounting and Reporting

The role of theory in research is to present a framework for the researcher to understand, explain and interpret the phenomena under investigation (Perks, 1993). Elliot and Elliot (2008) argue that theory has a significant role to play in accounting since it is developed at both the academic and professional level and thus influences accounting practices around the world. Belkaoui (1987) suggests that there are four different dimensions to the role of theory in research: the description, delimitation, generation and integration dimensions. According to his classification, the descriptive dimension of theory is associated with the use of principles or concepts that best explain the phenomena addressed, while the delimitation role aids the descriptive role of theory by selecting the best set of events to explain the phenomena. Moreover, the generation role is associated with the ability of the theory to generate a testable hypothesis or research questions by providing hunches, notions and ideas to the researcher. The final role of theory is integration; it is described by Belkaoui (1987) as:

> "The ability to present a coherent and consisted integration of the various concepts and relations of a theory" (p. 209).

The objective of this study is (i) to investigate the impact of a new international segmental reporting standard on the disclosure practices of Jordanian listed companies and (ii) to examine the perceptions of external auditors, preparers and users (investors and analysts) of financial statements of Jordanian firms. In other words, the main field of this study is financial accounting and reporting. Hence, for the phenomena being investigated, the researcher will employ one of the most commonly used frameworks for this purpose, namely the decision usefulness theory. Other lenses could have been used such as accountability theory[61], but these were not selected in the current study because they were not thought to be appropriate for the research questions being addressed. Ijiri (1983) argues that the choice of theoretical framework will critically affect the research process, the findings arrived at and the interpretation of the phenomena being studied. Specifically, Ijiri (1983) suggests that accountability theory emphasises the relation between the accountor (the preparer of the financial statements) and the accountee (the user of financial statements)[62], while decision usefulness theory focuses on the decision maker (i.e. users of financial statements). Therefore, it is believed that decision usefulness theory is the most appropriate lens for answering the research questions being addressed in the current study.

[61] Gray et al. (1987) defined accountability as "the onus, requirement or responsibility to provide an account or reckoning of the actions for which one is held responsible" (p. 2). Perks (1993) defined accountability as "Accountability as a concept may be traced to the separation of ownership from management in business organisations and is related to the concept of stewardship whereby managers provide an account to owners" (p. 24). Ijiri (1983) is in the favour of accountability theory rather than decision usefulness theory; he argued that accountability theory creates a fair system of financial information flows by the accountor to the accountee.

[62] Several researchers argued that this theory has several limitations (Tricker, 1983; Stewart, 1984; Hodgson et al., 1992; Stanton, 1997; Coy et al., 2001). For instance, Stewart (1984) argues that accountability requires two conditions to be completed (i) the provision of information to give an account to the accountee and (ii) evaluation of the action to be taken as a consequence of forcing the accountor to account by the accountee. Recently, Coy et al. (2001) have argued that "Accountability may be related to power relationships between accontors and accountees within organisations and in society as a whole" (p.8).

Many researchers have employed decision usefulness theory in past research (i.e. Lee and Tweedie, 1979; Barena and Lakonishok, 1980; Appleyard and Strong, 1984; Berry and Robertson, 2006; Suwaidan et al., 2007; Dunne et al., 2008; Kribat, 2009; Finningham, 2010). For example, Hodgson et al. (1992) stated that the traditional stewardship role of financial accounting data was replaced in the 1960s with a greater importance placed on decision making. Recently, Coy et al. (2001) suggested that the notion that stewardship is the primary rationale for accounting has effectively been replaced by a focus on decision usefulness. Standard setters (i.e. IASB and FASB) have also employed decision usefulness theory for their conceptual frameworks when considering that any financial information disclosed should be understandable, reliable, relevant and comparable. Moreover, the subject of the current study (IFRS 8) was issued within a framework that is based on decision usefulness[63]. Section 4.3.1 discusses the FASB and IASB conceptual frameworks in detail. Indeed, one of JACPA's objectives is to promote the IASB's conceptual framework and its standards to the Jordanian High Council of the Accounting Profession (JACPA, 2010). Therefore, the theoretical framework of this thesis is based on decision usefulness theory and the rest of the chapter will discuss this theory in detail.

4.3 Decision Usefulness Theory

The development of decision usefulness theory can be traced back to 1955 (Berry and Robertson, 2006). At that time financial statements were criticised as being of little help to decision makers when making decisions about economic events

[63] Further in Jordan, Securities Law 2002 requires that listed companies must comply with IFRS in the preparation of their financial statements, and the conceptual framework of these international standards is based on decision usefulness.

(Chambers, 1955). Thus, there was a demand for statements to be more useful for decision makers (Edwards, 1989). For instance, Chambers (1955) argued that the basis of decision making for many practical issues involved information from financial statements. He also stated that the information in the financial statements should be relevant to decision makers' needs; specifically, he argued that "financial statements should be relevant to the kinds of decision the making of which it is expected to facilitate" (pp. 21-22). Moreover, Glautier and Underdown (2001) described the theory as:

> "The provision of sufficient information to help investors to make predictions about future performance of a firm" (p. 344).

According to this definition, Glautier and Underdown (2001) suggest that the quality and the quantity of information provided by organisations influence a user's ability to evaluate an entity's performance. Thus, the main objective of accounting information is to supply financial details that allow individuals to make better decisions by providing them with information to improve their analyses (Deegan and Rankin, 1997).

For financial information to be useful, a number of characteristics have been highlighted in the literature: financial information should be understandable, relevant, reliable and comparable for decision makers (Snavely, 1967; Sterling, 1970; Gray et al., 1996). These four key qualities of financial information are useful for the decision making process; when one is missing, the information may not be useful (Kieso et al., 2009) (see Section 4.3.1 for further discussion of these four key qualities). Moreover, the financial information should be free from bias, objective and timely. For example, Snavely (1967) argued that "objectivity requires that essentially similar measures or conclusion would be reached if two or more qualified persons examined the same data… Freedom from bias means that facts have been impartially determined and reported; it also means that techniques used in developing data should be free of built-in bias" (p. 228). Al-Khouri and Balqasem (2006) stated that "real-time (timeliness) is an important property from the characteristics of information; if the disclosure of the financial report is delayed, this reduces the importance and effectiveness of the information contained in the report as well as its relevance to the decision-making process" (p. 164). However, Ijiri (1983) takes a broader perspective; he suggests that:

> "In a decision based framework, the objective of accounting is to provide information useful for economic decisions. It does not matter what the information is about. More information is always preferred to less as long as it is cost effective. Subjective information is welcome as long as it is useful to the decision makers" (p. 75).

Sterling (1970) argued that the primary characteristic of useful financial statements is that it should be objective in the mind of the decision makers. He suggested that verifiability was a secondary requirement of useful information. He argued that financial statements should "supply information for decisions that are most likely to allow decision makers to achieve their goals [needs]" (p. 198). Williams (1987) highlighted that decision making is the central principle of financial information. By linking the decision making process with the usefulness of information, he stated that:

> [Decision making] is the central principle for organizing and directing accounting research and is also the public rationale for accounting standard setting. Pronouncements by both practitioner and academic groups avow the importance of decision making to accounting… As decision making has been so apprehended it has become for accountants an emphasis on decision usefulness" [sic] (p. 169).

Research within decision usefulness theory can be split into two approaches: (i) that focusing on decision makers in general and (ii) that concentrating on decision models (Bebbington et al., 2001; Gray et al., 1996). The former approach is employed by studies which have attempted to ascertain from decision makers what information they want preparers to disclose (i.e. Mathews and Perera, 1996; Deegan and Rankin, 1997); it assumes that these users are knowledgeable enough to know what information is best for them. However, Deegan (2000) argues that results from this decision maker's approach lack coherence, because different studies examine different kinds of information. In addition, the findings tend to vary because of the different user groups surveyed; these cohorts may have different information needs. Because of the different findings documented, it is not surprising that conclusions arrived at vary from study to study. By contrast, the decision models approach relegates the 'wants' of users concerning financial information to a secondary position, instead, it emphasis the 'needs' of users as perceived by the preparer as the primary concern of financial information (Beattie, 2005; Hitz, 2007). In other words, this decision models approach is based upon preparer' perceptions of the information which users need in order to make effective decisions; according to this approach, the preparer recommends the financial information that should be provided in the financial statements (Mathews and Perera, 1996). This second approach has been criticised for assuming that stakeholder groups have the same information needs, which may not be the case in practice. It is also criticised for possibly imparting a research bias into the analysis since hypotheses about users' needs may vary from one research site to another (Deegan, 2000).

This thesis adopts the decision makers variant of decision usefulness theory; it was deemed the most appropriate for the research objectives being investigated: has IFRS 8 had an impact on the disclosure practices of Jordanian listed companies; has the new standard influenced the perceptions of external auditors, preparers and users (investors and analysts) of financial statements about the new segmental disclosures provided. Within a decision-usefulness context, the research objectives concentrate on whether segmental information under IFRS 8 has the characteristics of useful information; is it more understandable, relevant, reliable and comparable than that supplied under IAS 14R. Moreover, this decision usefulness theory has been adopted by the US standard setter (FASB) and IASB in preparing their frameworks for the presentation of financial statements. Prior studies have also adopted this theory in order to investigate research questions which are similar to the topic of the current study (i.e. Lee and Tweedie, 1979; Barena and Lakonishok, 1980; Appleyard and Strong, 1984; Berry and Robertson, 2006; Hitz, 2007; Suwaidan et al., 2007; Dunne et al., 2008; Kribat, 2009; Finningham, 2010). Thus, this theory is generally accepted and widely employed by financial reporting researchers. For instance, Staubus (2000) argued that:

> "The decision usefulness theory of accounting is now generally accepted among those few people interested in accounting theory. There is no recognisable alternative; it has been the most important development in accounting thought in the second half of the twentieth century" (p. i).

Section 4.3.1 discusses the adoption of the theory by standard setters, and Section 4.3.2 examines how this theory has been employed by studies that have been undertaken in the recent past.

4.3.1 Standard Setters' Adoption of Decision Usefulness Theory

Decision usefulness theory has been employed by accounting standard setters such as the IASB and FASB (Belkaoui, 2004). In the early 1970s, the American Institute of Certified Public Accountants (AICPA) established the Trueblood

Committee which published the Trueblood Report. This report led to the development of FASB's conceptual framework during the second half of the 1970s (Belkaoui, 2004). For instance, in 1978, FASB issued Statement of Financial Accounting Concepts (SFAC) No. 1 "Objectives of Financial Reporting by Business Enterprises" (FASB, 1978). This document highlighted why decision usefulness theory had been adopted by FASB. For example, SFAC No. 1 stated that:

> "The role of financial reporting in the economy is to provide information that is useful in making business and economic decisions, not to determine what those decisions should be… The role of financial reporting requires it to provide even-handed, neutral, or unbiased information (para 32).

Specifically, SFAC No. 1 details that financial information should be useful for all users especially investors and creditors:

> "Financial reporting should provide information that is useful to present and potential investors and creditors and other users [including financial analysts, journalist, regulatory authorities and trade unions] in making rational investment, credit, and similar decisions" (para 34).

According to SFAC No. 1, FASB emphasised the understandability of the financial information, stating that: "the information should be comprehensible to those who have a reasonable understanding of business and economic activities and are willing to study the information with reasonable diligence" (para 34). Further, SFAC No. 1 specified that the key characteristics which made information useful for decision makers would be outlined in a following report.

In 1980, FASB issued the Statements of Financial Accounting Concepts (SFAC) No. 2 "Qualitative Characteristics of Accounting Information" (FASB, 1980). In this document, FASB outlined the characteristics which made accounting information useful for all its users; it identified these characteristics as "a hierarchy of accounting qualities"[64] (FASB, 1980, CON2-1; Bonham et al., 2004, p. 73) and emphasised the importance of decision usefulness when guiding this process:

> "The characteristics of information that make it a desirable commodity can be viewed as a hierarchy of qualities, with usefulness for decision making of most importance. Without usefulness, there would be no benefits from information to set against its costs" (CON2-1)".

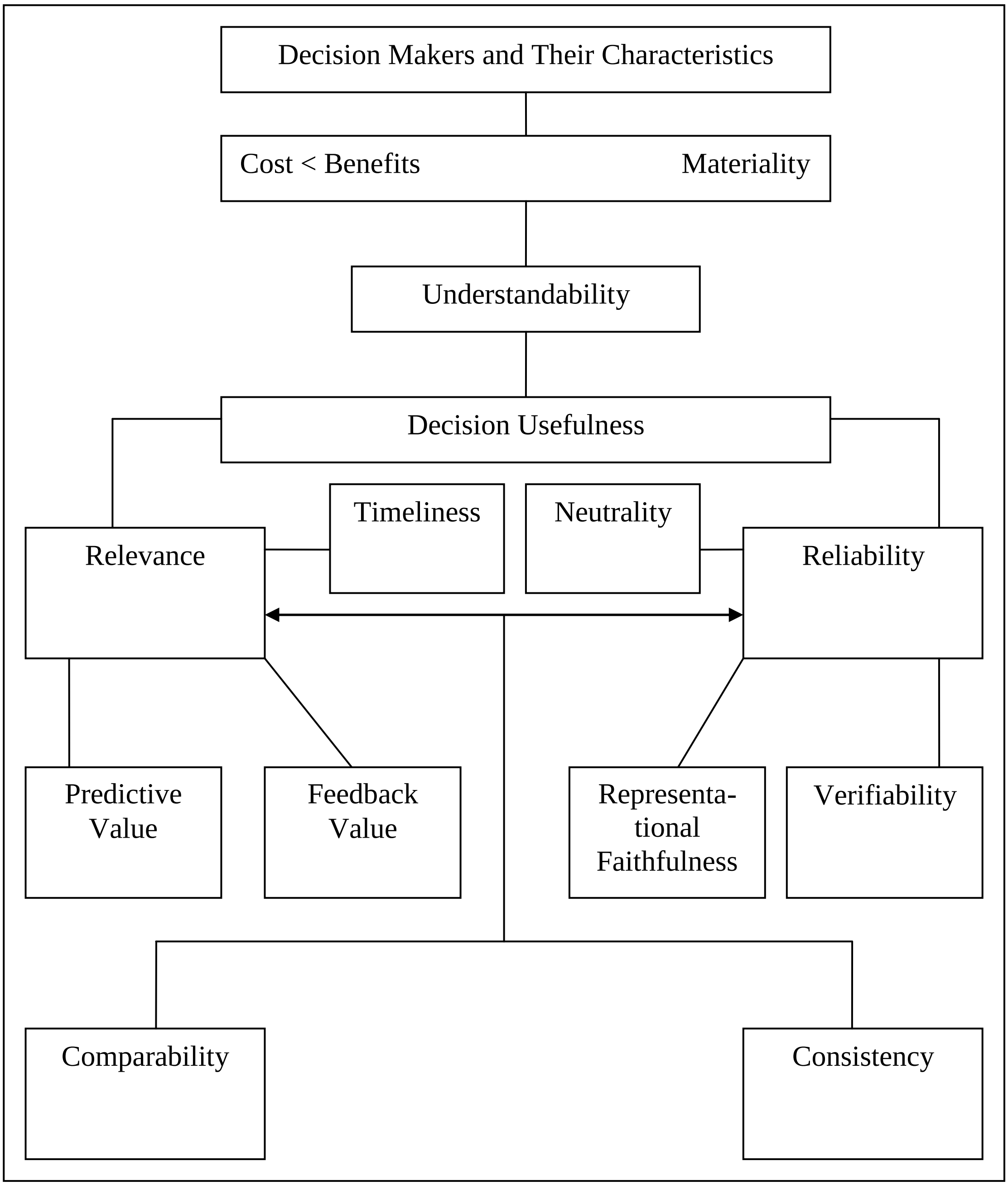
This hierarchy identifies two primary decision-specific qualities which make accounting information useful for decision making: relevance and reliability as shown in Figure 4.1 (FASB 1980). Moreover, SFAC No. 2 argues that comparability is a secondary or additional quality which aids relevance and reliability by ensuring that information is prepared on a consistent basis from year to year; this consistency should enable the users of financial statements to compare the same entity over different periods or similar entities at one point of time (FASB, 1980). According to SFAC No. 2, relevant accounting information is:

> "…capable of making a difference in a decision by helping users to form predictions about the outcomes of past, present, and future events or to confirm or correct prior expectations" (CON2-2).

An additional aspect of relevant accounting information is timeliness; according to Bonham et al. (2004) this means that the information should be available to decision makers before its capacity to influence decisions dissipates.

[64] The SFAC No. 1 and SFAC No. 2 are not accounting standards and were not issued for a particular measurement or disclosure issue (FASB, 1978; FASB, 1980).

Figure 4.1 Hierarchy of Accounting Qualities According to SFAC No. 2



Note: This figure shown the hierarchy of accounting qualities according to SFAC No. 2 issued by FASB in 1980; the figure adopted from Kieso et al. (2004, p. 32).

There are three features listed under reliability as a primary characteristic of financial information; namely, representational faithfulness, verifiability and neutrality. In particular, SFAC No. 2 stated that:

> "Verifiability is a quality that may be demonstrated by securing a high degree of consensus among independent measurers using the same

> measurement methods. Representational faithfulness, on the other hand, refers to the correspondence or agreement between the accounting numbers and the resources or events those numbers purport to represent… Neutrality means that, in formulating or implementing standards, the primary concern should be the relevance and reliability of the information that results, not the effect that the new rule may have on a particular interest" (CON2-2).

Finally, SFAC No. 2 stated that all these criteria are qualified by the assumption that the information is material; Bonham et al. (2004) argued that only material information will have an impact on the decision making process. However, determining the level of materiality for financial information is not without problems since what may be immaterial for one user may be material for another. Currently, the level of materiality for a specific piece of information is determined by preparers of the financial statements for users of these statements based on their assessment of the decision making process (Bonham et al., (2004).

In September 1989, the IASC issued its "Framework for the Preparation and Presentation of Financial Statements (IASC, 1989). This framework was broadly based on the equivalent document published by the FASB in the US. However, this document was not published as an accounting standard and thus, did not over-ride the requirements of individual IASs. Indeed, the IASC stated that:

> "This Framework is not an International Accounting Standard and hence does not define standards for any particular measurement or disclosure issue; nothing in this Framework overrides any specific International Accounting Standard" (IASC, 1989, para 2).

The IASC[65] framework is divided into seven main sections, which are: (i) the objective of financial statements; (ii) underlying assumptions; (iii) qualitative

[65] In April 2001, the IASB replaced the IASC and adopted its pronouncements, including their framework; this had been approved by the IASC Board in April 1989 for publication in July 1989. It

characterises; (iv) the elements of financial statements; (v) recognition of the elements of financial statements; (vi) measurement of the elements of financial statements; and (vii) concepts of capital and capital maintenance.

In the first section, the IASC stated that the aim of the financial statements is:

> "…to provide information about the financial position, performance and changes in financial position of an entity that is useful to a wide range of users in making economic decisions" (IASC, 1989, para 12).

Specifically, in this section the IASC included users such as "investors, employees, lenders, suppliers and other trade creditors, customers, governments and their agencies and the public" (IASC, 1989, para 9). Moreover, it discussed why users need to know about profitability, financial position, financial adaptability and cash generation. In this respect, the IASC's document is similar to the framework of the FASB in its discussion of these issues. Furthermore, the qualitative characterisers detailed in section two of the IASC's document are taken directly from the FASB framework. These four key qualities of financial information are understandability, relevance, reliability and comparability. According to the IASC, to be useful the financial information should be (i) readily understandable by users; (ii) relevant to the decision making needs of users by helping them assess past, present and future events, where relevant and material; (iii) reliable in terms of being free from material errors and bias as well as representing faithfully that which it purports to represent with completeness; and (iv) comparable through time in order to identify trends in an entity's financial position and performance (IASC, 1989). However, Bonham et al. (2004) criticised the IASC framework for not giving adequate consideration to the

---

was adopted by the IASB in April 2001 when the decision-usefulness objective for financial statements was reiterated (IASB, 2001).

"legal and business contexts" in which accounting is practised and the constraints placed upon it (p.100). In addition, they were critical of the way in which the objective of financial statements focused on investors as a primary group whose interests had been narrowed down to the prediction of future cash flows. Specifically, they argued that:

> "If a shareholder wishes to invest in property, even if that property is never realised, the proponents of the 'future cash flows' objective would still claim the objective holds because at some point the investor would want to realise the investment, even if that point is several lifetimes away" (p. 100).

In July 2006, as a part of the convergence project between the IASB and FASB, the IASB published a discussion paper "Preliminary Views on an Improved Conceptual Framework for Financial Reporting: The Objective of Financial Reporting and Qualitative Characteristics of Decision Useful Financial Reporting Information"[66] (IASB, 2006b). This paper sought to improve upon and facilitate convergence between the two boards' frameworks (Finningham, 2010). Again, the paper focused on decision usefulness when defining the objective of financial statements:

> "The objective of general purpose external financial reporting is to provide information that is useful to present and potential investors and creditors and others in making investment, credit, and similar resource allocation decisions" (para S2).

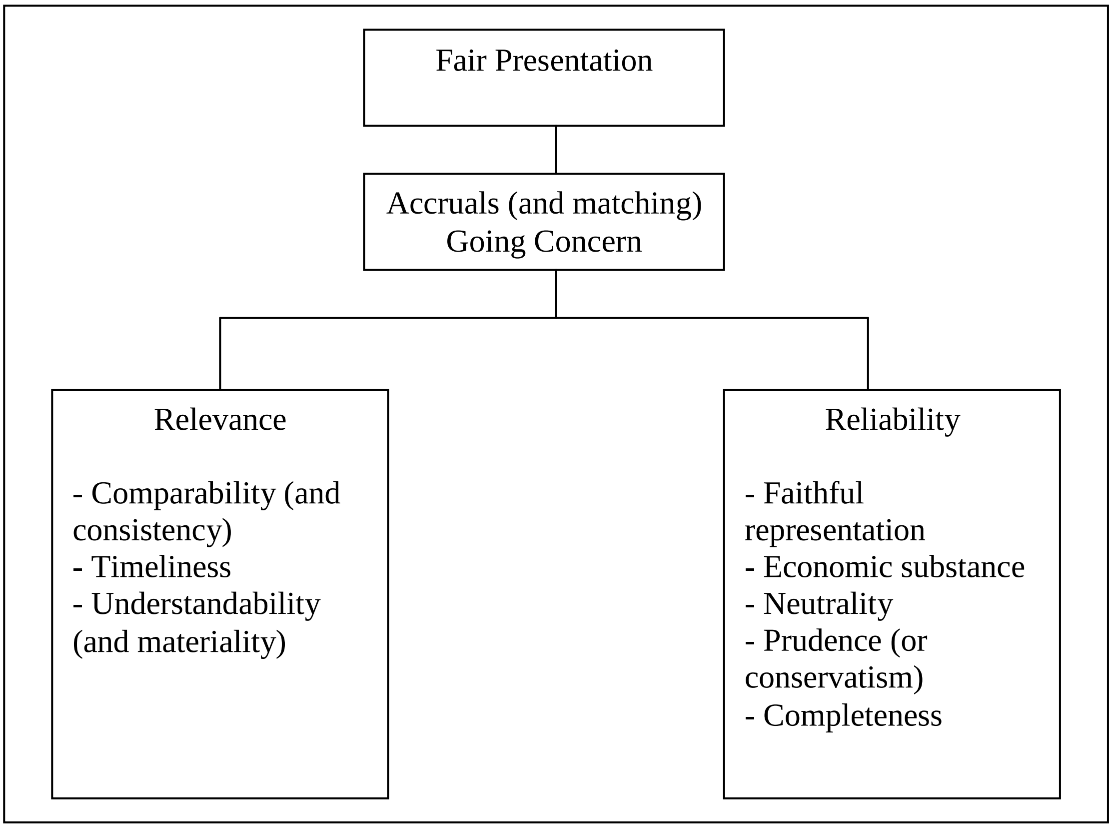
Adopting an approach which was similar to the FASB framework, this IASB paper identified investors and creditors as the two user groups where financial statement information played an important role for resource allocation decisions. In particular, the paper stated that the goal of financial information was to provide "information to help present and potential investors and creditors and others to assess the amounts, timing, and uncertainty of the entity's future cash inflows and outflows" (IASB,

[66] The subject of this study (IFRS 8) is part of this joint project between the IASB and the FASB.

2006b, para OB3). In discussing the nature of decision useful information, the paper noted that the qualitative characteristics of financial information are relevance, faithful representation, comparability (including consistency) and understandability. These key characteristics of accounting information are the same as those mentioned in both the IASC's and FASB's frameworks. However, The IASB's discussion paper proposed some changes in these key qualitative characteristics of accounting information. First, the previous hierarchy of qualitative characteristics (in the FASB framework) was to be replaced with a sequential approach; second, it suggested that the word "reliability" be changed to "faithful representation"; it therefore proposed that faithful representation be one of the four key qualitative characteristics of financial information; finally, the discussion paper viewed materiality as a constraint on financial reporting (IASB, 2006b). Nobes et al. (2008) stated that the overall aim of financial statements in the IASB's discussion paper of 2006 was to give a fair presentation of the performance of an entity, thereby allowing users of financial statements to make good decisions; they also argued that the IASB's framework of 2006 suggested that a fair presentation could be interpreted as giving "a true and fair view" of a business's performance (p. 120). Figure 4.2 summarises the IASB's concept from the 2006 discussion paper. In particular, the discussion paper stated that:

> "The qualities of decision-useful financial reporting information are relevance, faithful representation, comparability, and understandability. The qualities are subject to two pervasive constraints: materiality and benefits that justify costs" (para QC7).

Figure 4.2 IASB's Framework Sequential Approach of 2006



Note: This figure is adapted from Nobes el al. (2008, p. 120).

A number of commentators (especially investors and analysts) expressed concerns about the replacement of the word "reliability" with the term "faithful representation" as the new term was not only elevated to be an over-riding concept, but it also referred to "the real-world economic phenomena" (IASB, 2006b, para QC 16). Specifically, the paper states that:

> "To be useful in making investment, credit and similar resource allocation decisions, information must be a faithful representation of the real-world economic phenomena that it purports to represent. The phenomena represented in financial reports are economic resources and obligations and the transactions and other events and circumstances that change them. To be a faithful representation of those economic phenomena, information must be verifiable, neutral, and complete". (QC16)

Further concerns were raised about the implied ranking of the different characteristics in the sequential approach (Whittington, 2008). Specifically, the sequential approach explained that "relevance should be considered first because it is essential, and that faithful representation should be considered next, but that both characteristics are necessary for decision usefulness" (Whittington, 2008, p.8); thus, they work in "concert with one another" (IASB, 2006b, para QC45). In particular, the comments of a number of concerned individuals queried why relevance should be the first characteristic on the basis that information that is irrelevant is useless. Gore and Zimmerman (2007) highlighted that organisations may provided relevant but misleading information in their financial accounts; they argued that:

> "Financial information which is relevant but so inaccurate as to be misleading may be even worse that useless; it might even be harmful to users who rely on it; Enron is just one example" [sic] (p. 34).

The IASB also received comments about their focus on the investor and creditor user groups (Whittington, 2008). Several commentators argued that financial information should satisfy the needs of all user groups and not just the demands of a specific sub-set; they suggested that users should not be split into primary and secondary groups for decision making purposes (IASB, 2007b). Furthermore, the absence of any mention about forecasts or descriptions about a firm's social and environmental impact within the boundaries of financial reporting was criticised. Others raised concerns about including information that might not be auditable (IASB, 2007b).

In May 2008, the IASB and FASB published an Exposure Draft (ED) entitled "An Improved Conceptual Framework for Financial Reporting" (IASB, 2008a). They issued this ED after considering the comments received on the discussion paper of

2006. In this ED, the Boards concluded that the objectives of financial reporting should not focus exclusively on the investor and creditor user groups[67]:

> "The objective of general purpose financial reporting is to provide financial information about the reporting entity that is useful to present and potential equity investors, lenders and other creditors in making decisions in their capacity as capital providers" (para S2).

Thus, the ED continued to emphasise the role of decision usefulness of financial information (Finningham, 2010).

As regards the qualitative characteristics of useful information, the ED adopted the same format as the IASB's discussion paper in 2006 but with minor changes. For instance, the two attributes relevance and faithful representation were labelled as "fundamental" qualitative characteristics that made accounting information useful (IASB, 2008b, p. 35). Moreover, the other attributes of comparability, verifiability, timeliness and understandability complimented these fundamental qualitative characteristics, while materiality remained as a constraint on financial reporting in the ED.

However, in September of 2008, the Boards received comments on the ED which raised concerns that were similar to the issues that had already been flagged in response to the IASB's discussion paper of 2006. For example, the lack of clarification about why reliability had been replaced with faithful representation was raised. Indeed, some questioned the reasons beyond this shift in the qualitative characteristics of useful financial information. Moreover, the failure of the Boards to sufficiently explain the difference between financial statements and financial

[67] The previous definition criticised as it is to meet the users of allocation decisions only.

reporting in the ED was also highlighted (IASB, 2008b; Finningham, 2010). Finningham (2010) stated that:

> "The changes being proposed in the Exposure Draft will likely result in significant changes in the future development of financial reporting; however, it is clear that a consensus about what financial reporting information is useful, what decisions is it useful for and for whom is it useful has yet to be formalised" (p. 90).

In September 2010, the IASB issued its "Conceptual Framework for Financial Reporting (The IFRS Framework)" (IASB, 2010). According to this framework, the general purpose of financial reporting is to provide information for "present and potential investors, lenders and other creditors" (para OB2); as with the previous framework, the IFRS framework focused on the decision usefulness of financial information:

> "Who [investors, lenders and other creditors] use that information to make decisions about buying, selling or holding equity or debt instruments and providing or settling loans or other forms of credit" (para OB2).

Again, the IASB focused on investors and creditors as the primary users of financial information. However, in the 2010 framework document the IASB explicitly recognised a new group of users called lenders; the IASB considered this group as a primary category who use financial statements for "providing or settling loans". Moreover, this IASB framework also noted that the "general purpose of financial reports cannot provide all the information that users may need to make economic decisions" (para OB6). Specifically, it argued that users of financial statements will also need to consider pertinent information from other sources as well.

Moreover, the 2010 framework modified the wording about the qualitative characteristics of useful information from that noted in previous frameworks; these characteristics “identify the types of information that are likely to be most useful to users in making decisions about the reporting entity on the basis of information in its financial report” (para QC1). The IASB applied the sequential approach that it had used in its 2006 document (IASB, 2010) with some minor changes. Specifically, the IASB classified relevance and faithful representation as ‘fundamental qualitative characteristics’ of financial information, while comparability, verifiability, timeliness and understandability were seen as ‘enhancing qualitative characteristics’. In particular, financial information is useful when:

> “It is relevant and represents faithfully what it purports to represent. The usefulness of financial information is enhanced if it is comparable, verifiable, timely and understandable” (para QC4).

In Jordan, the Jordanian High Council of the Accounting Profession and JACPA adopted the IASB’s framework and its standards in 1997; one of the JACPA’s main objectives was to keep up to date with the IASB’s frameworks as well as to make sure that Jordanian companies complied with IASs. In particular, JACPA (2010) stated that:

> “…ensuring compliance with IASB’s conceptual framework requirements and International Accounting Standards… which would contribute to the protection of the national economy of Jordan, and the upgrading of accounting research and professional development of Certified Public Accountants” (p. 3).

Moreover, the Securities Law of 2002 issued by the JSC also required Jordanian listed companies to comply with IASs and other IASB requirements (see Chapter 2). In other words, the Jordanian accounting profession and regulators have adopted the IASB’s conceptual framework and its standards when preparing Jordanian laws about financial reporting.

In summary, the main standard setting bodies have always adopted a decision usefulness approach in their conceptual frameworks (FASB, 1978; IASC, 1989; IASB, 2006b; IASB, 2010). Thus, the adoption of decision usefulness theory in the current thesis seems justifiable since it will allow the researcher to evaluate the impact of IFRS 8 on Jordanian listed companies against the aims of those who introduced the standard. In addition, it will enable the researcher to investigate the perceptions of external auditors, preparers and users about this new segmental reporting standard based on the characteristics of useful information proposed by the standard setters. Since the standard is part of the convergence project between the IASB and FASB (Crawford et al., 2010a) and since these bodies adopted decision usefulness theory in their joint Framework, it seems appropriate to evaluate the standard against the criterion which its adopters employ. Therefore, developing and interpreting research using this theory as a theoretical lens seems appropriate; it is also supported by prior academic literature in the area.

4.3.2 Prior Studies Which Have Adopted Decision Usefulness Theory

Prior studies have employed a variety of research approaches in order to ascertain the type of information which user's find useful for decision making process. This section will discuss key studies in this area which have adopted decision usefulness as their theoretical underpinning. In addition, there are a number of other reasons why these studies have been selected for discussion: (i) these papers have examined research questions that are similar to those considered in the current study; (ii) they have focused on users (typically investors) of financial statements to determine the type of information that is useful for decision making purposes; (iii) they have investigated the usefulness of disclosures from Jordanian listed companies;

and (iv) they have concentrated on financial accounting and reporting which is the subject of the current study. In other words, the researcher felt that these studies were the most appropriate for summarising the vast literature in this area and to provide the reader with the context against which to judge the findings of the current thesis.

A number of prior studies have adopted decision usefulness theory in order to investigate research questions which are similar to the topic of the current study. Specifically, these prior studies have employed a variety of research methods to answer their research question; for example, they have used questionnaire surveys (i.e. Lee and Tweedie, 1979; Appleyard and Strong 1984; Carsberg and Day, 1984; Almahmoud, 2000; Berry and Robertson, 2006; Bovee et al., 2009), conducted interviews (Arnold and Moizer, 1984; Dunne et al., 2008), analysed market-based information (Ball and Brown 1968; Beaver et al., 1970; Sterling, 1970; Barena and Lakonishok, 1980; Beaver et al., 1980; Stanton, 1997; Sharma and Iselin, 2003; Khouri and Balqasem, 2006; Hitz, 2007) and performed content analysis and constructed disclosure indices (Govindarajan, 1980; Smith, 1989; Botosan, 1997; Suwaidan et al., 2007; Ronen, 2008; Haddad et al., 2009; Hassan et al., 2009; Kribat, 2009; Finningham, 2010)[68].

One of the seminal works to conduct a questionnaire survey in the decision-usefulness area was written by Lee and Tweedie (1979). In this book, the two authors surveyed 231 investment analysts to determine their usage and understanding of corporate financial reports in the UK. They found that company financial statements

[68] Some of these prior studies employed multiple methods, such as Arnold and Moizer (1984) adopted interviews and questionnaire survey, Almahmoud (2000) employed questionnaire survey and models, Dunne et al. (2008) derived their results by employing interviews, reconciliation statement and content analyses and Bovee et al. (2009) adopted questionnaire survey and behavioural models.

were widely used by shareholders when assessing the performance of firms. For example, more than 90% of respondents claimed that they read the profit and loss account as well as the balance sheet of their investee firms thoroughly. Other parts of financial statements such as the audit report (38%) and the current cost accounting information (43%) were less frequently consulted. While their knowledge of historic cost data was ‘good’ their actual understanding of inflation adjusted financial statement numbers was poor. In a follow-up investigation, Appleyard and Strong (1984) also used a questionnaire survey to determine whether that the disclosure of current cost accounting data provided useful information to UK investors; they did not find any evidence to support the argument that inflation-adjusted financial statement data was used by investors. For example, only 30% consulted the current cost data that was mandated under SSAP 16 while an even smaller percentage (17%) actually used the information when evaluating the performance of their investee firms.

More recently, Berry and Robertson (2006) have adopted a decision usefulness framework within a different context from the Lee and Tweedie (1979) investigation. Specifically, they have studied how UK bankers’ usage of financial statement information has changed over time. They found that, in general, the annual report remained a very important source of information (on average 78% in 2004) which influenced bankers’ decision making process. However, the usage of various data items from the financial statements had changed between 1986 and 2004. Specifically, they suggested that improvements in cash-flow related information in annual reports allowed bankers to study this information in more detail according to their survey in 2004.

Prior studies have also examined the usefulness of financial statement information by conducting unstructured interviews. For example, Arnold and Mozier (1984) investigated the perceived importance of the financial information to investors for share valuation purposes; they interviewed a small sample of 6 UK investment analysts to determine how annual reports - especially the balance sheet and income statements – were analysed when valuing a share. They prepared a list of 18 possible sources of information and found that the most influential sources were perceived to be a company's income statement and balance sheet as well as its interim results. The extent to which these statements were used depended upon the analyst. Specifically, they argued that:

> "The form of fundamental analysis practised by all the interviewees followed the same general pattern, although there were considerable differences of emphasis. The common general pattern involved attempts to predict a company's share price at some time in the future… Most frequently, this prediction involved estimating earnings for the current year and applying an 'appropriate' price-earnings ratio… The main apparent differences between the approaches adopted by the six firms interviewed arose with respect to the procedures followed for estimating earnings… [When selecting] an appropriate price-earnings, the analysts considered the company's balance sheet, giving particular emphasis to the company's liquidity position and gearing ratio… In order to estimate company's future earnings, the company's income statement for the last ten years were first analysed" (p. 197).

In a more recent study, Dunne et al. (2008) interviewed both preparers and users about the implementation of IFRS in three countries: the UK, Italy and Ireland; they focused on stakeholders, analysts and preparers of financial statements. They found that the impact of the new standards on users in Italy was greater than in the UK and Ireland. In Italy, analysts were more excited about the impact of IFRS; specifically, the Italian analysts suggested that a common set of standards would facilitate comparability between companies and countries. Moreover, the Italian users were very positive about the fact that IFRS now required financial statements to be aimed at investors and suggested that this change would improve the usefulness of financial information for their decision purposes[69].

A sizeable branch of this literature has focused on decision models when conducting research. For example, some of these models evaluate the input of financial statement data into user decision processes where others examine the link between accounting information and security returns. The research of Barena and Lakonishok (1980) relates to the first category; they investigated the usefulness of disaggregated accounting data for investors when forecasting corporate performance using a cross-correlations model. They found that disaggregated data did not necessarily produce better forecasts of corporate performance than their more aggregated counterparts. Sharma and Iselin (2003) investigated the decision usefulness of reported cash flow and accrual information in a behavioural field study experiment assessing insolvency for a UK sample companies. Specifically, they compared the usefulness of judgments based on cash flow information and judgements based on accrual information in the financial statements; they found that insolvency assessments based on cash flow information were more accurate relative to judgments based on accrual information[70].

Since the late 1960s, a majority of research in the decision usefulness area has focused on market-based data. For example, the objectives of Ball and Brown (1986),

---

[69] The UK and Irish preparers were unclear about whether the cost of implementation that occurred outweighed the benefits as they suggested that the costs were tangible and immediate, while the benefits gained were intangible and more long term in duration.
[70] Thus, Sharma and Iselin (2003) suggested that cash flow information is more decision useful for firms experiencing financial distress. Specifically, they implied that cash flow information has greater decision usefulness than accrual information for assessing corporate solvency.

Beaver et al. (1970) and Beaver et al. (1980) were to derive a relationship between price changes and earnings changes by examining the time series behaviour of earnings based solely on previous earnings realisations for a sample of US companies. They found that share returns were related to (i) the sign of unexpected earnings, (ii) the magnitude of unexpected earnings changes and (iii) the proportion of earnings changes that were thought to be ‘permanent’. An important recent study by Bovee et al. (2009) examined the international description for ‘useful’ financial reporting information proposed by the FASB and IASB in the Exposure Draft of 2008 (IASB, 2008b). They created a causal model of the decision useful financial reporting information characteristics, and then evaluated the model using survey data from perceptions of financial information from users as defined by the FASB and IASB (investors and creditors) about the key qualitative characteristics of decision usefulness; found that user perceptions of key information constructs as for decision usefulness (76%), relevance (62%) and faithful representation (57%)[71].

A growing area of the literature has examined the content of annual reports and studied whether they are referred to in the documents and publications of users. For example, Govindarajan (1980) examined 976 analysts’ reports on company performance from the Wall Street Journal (US); he investigated whether any preference for cash flow information over earnings was present in these analysts’ reports. He used content analysis to count the number of times references were made to a cash flow or earnings item in the analysts’ reports and ranked the usefulness of these two types of data. He found that 86.5% of the analysts’ reports examined attached more importance to earnings analysis rather than cash flow analysis; only 3%

[71] However, verifiability and completeness did not significantly contribute to their model.

concentrated on cash flow data. In other words, the emphasis of these reports was on earnings rather than cash flows[72].

The theory of decision usefulness has also been adopted in studies from countries other than the UK and the US; in particular, it has been employed in studies of emerging market countries such as Jordan, Libya and Saudi Arabia (Almahmoud, 2000; Khouri and Balqasem, 2006; Suwaidan et al., 2007; Haddad et al., 2009; Hassan et al., 2009; Kribat, 2009). For instance, Almahmoud (2000) investigated the usefulness of information in the annual reports of Saudi corporations listed on the Saudi Stock Market. He employed two methods of analysis: a questionnaire survey for institutional and individual investors and an analysis of the reactions of share prices around the release dates of the annual reports of Saudi Arabian companies. He found that respondents in the Saudi Stock Market used the annual report information to make investment decisions and considered the financial information disclosed in the annual report as their main source of news for investment decision making; in addition, share prices reacted to the release of these annual reports.

More recently, Hassan et al. (2009) examined the value of voluntary and mandatory disclosures of 80 Egyptian listed companies. The authors used a postal survey as well as checking the annual reports of Egyptian listed companies to

[72] More recently, a content analysis approach adopted by Finningham (2010) to investigate the introduction of IFRS on the annual reports and accounts of UK companies using a decision usefulness theory. He found that the implementation of IFRS had a significant impact on the content of the annual reports and accounts of UK companies. Moreover, the amount of disclosure in company annual reports increased significantly following the introduction of the new regime; there was an increase in the physical size of the annual reports. His analysis of the additional disclosures under IFRS indicated that profit figures disclosed under IFRS increased by 105.85% relative to the comparable GAAP which companies had reported under in the UK. In addition, there was considerable variation in the impact of the transition among the sample firms (60 companies reported an increase in profits while 26 firms disclosed a decrease in total profit after adoption of IFRS). He therefore suggested that the financial information being disclosed under IFRS was more useful for decision making purposes.

investigate the items that companies actually published using a disclosure index; they argued that both methods allowed them to “check for the usefulness of items of information included in the [their disclosure index] list for investment decision making in Egypt” (p. 90). Their final disclosure index, drawn from Egyptian laws as well as analyst requirements, included 75 items divided into 49 mandatory items and 26 voluntary items. They found that Egyptian companies published 75% of the total items which they could have disclosed; Specifically, 90% of mandatory items and 48% voluntary items were disclosed. They suggested that the Egyptian listed companies did not fully comply with IAS requirements, and voluntary disclosure were limited[73].

Relatively few studies have examined the decision usefulness of financial statement information within Jordan - the subject of the current study. Al-Khouri and Balqasem (2006) is a notable exception to this generalisation. These authors examined the effect of the timing of annual report announcements on both security returns and trading volume in the ASE. They argued that:

> “Investors seek to obtain information that meets their needs in various ways; so some have gained information about the companies before the date of publication of financial statements; however, the published lists of affected investors will be relatively larger because the confidence in these lists is greater than other sources” (p. 164).

They considered the timing of annual reports for a sample of 104 Jordanian listed companies from 2000-2002 as an important issue in the decision making process of investors. However, they found that the timing of annual report disclosure had no

[73] They also employed multivariate analysis; found that a significant (at 1% level) negative relationship exists between mandatory disclosure and firm value. By contrast, they found that there is an insignificant positive relationship between voluntary disclosure and firm value.

significant effect on security returns. Thus, they concluded that the timing of financial information disclosures did not affect investors' decision making processes[74].

Haddad et al. (2009) investigated the level of voluntary disclosure and its association with stock market liquidity for 60 non-financial (industrial and services) Jordanian listed companies in the ASE. They constructed their own disclosure index that consisted 62 voluntary items which were not mandated by Jordanian law or the accounting standards of the IASB. They found that, on average, only 28% of voluntary disclosures included in the index were actually provided by the sample companies. They also discovered that the higher levels among disclosure of Jordanian firms reduced the spread between bids and ask prices and thus increased liquidity of the stock market.

Another Jordanian based study by Suwaidan et al. (2007) also adopted decision usefulness theory when investigating the usefulness of segmental information disclosed under IAS 14R by 67 Jordanian industrial companies listed on the ASE. Employing a disclosure index approach, they found that the average publication of segmental information by the sample companies was only 15% of the information which could have been provided. They suggested that this poor level of disclosure meant that segmental information provided by Jordanian industrial companies was less useful than it might otherwise have been. Moreover, they recommended that Jordanian regulators should devote more attention to the requirements of the IAS 14R as segmental information ought to be useful for decision making purposes.

[74] They suggested that this might be due to the limits set by the ASE on security prices (± 5%) which led to semi strong market inefficiency with respect to timing of reports disclosure.

Prior studies have surveyed a variety of financial statement users about their decision making needs; the current study focuses on investors and analysts[75]. The following reasons justify this focus on these two groups. First, analysts are knowledgeable about financial statements; they are both investors in their own right and also advisers to other institutions and individual investors (Arnold and Moizer, 1984). Thus, their insights are important since the impacts of their evaluations are not limited to their own decisions. Second, investors are the traditional users of financial statements; they are seen as the users of financial statements that relay most on financial reports for their decisions (Marston, 1986). Indeed, investors have sufficient expertise to enable them to understand accounting disclosures and to comment about changes to accounting standards in a competent fashion (Barth et al., 2003). Third, the IASB's and FASB's conceptual frameworks focus on investors for decision making when discussing the objectives of financial statements (FASB, 1978; IASC, 1989). JACPA has also adopted the IASB's framework and presumably concurs with the international standard setting body that the objective of financial statements is to provide investors with useful information (JACPA, 2010). Finally, Jordan is not an open society (Piro, 1998); there is no easy way to ascertain the opinions of other types of users as in developed countries such as in US or UK (Beard and Al-Rai, 1999; Shoup, 2007). Moreover, the ASE, the headquarters of the JSC and a bank complex are all located at the Gamal Abdel Al-Naser district of Amman. Most of the interviews with analysts and investors will therefore be conduct at the main hall of the securities exchange located in this bank complex. Thus, these two groups could be easily contacted and asked about their willingness to be interviewed.

[75] The current study also examines the perceptions of external auditors and preparers participants. However, these justification provided are only to justify the focus on investors and analysts rather than other kind of users (i.e. creditors).

Overall, many prior studies have adopted decision usefulness theory when examining financial disclosures. The adoption of this theory to study the impact of a new standard on segmental reporting in the current study seemed appropriate for two main reasons: (i) the standard setters adopted this approach to financial reporting in their conceptual frameworks (see section 4.3.1); and (ii) a wide range of empirical investigations in prior studies also employed this theory to determine the usefulness of financial information that is published. However, the theory has been criticised. The next section details some limitations of this decision usefulness theory.

4.3.3 Limitations of Decision Usefulness Theory

The accounting literature suggests a number of limitations regarding to decision usefulness theory. For example, Armstrong (1977) criticised decision usefulness theory by pointing out that only a minority of respondents to the AICPA Trueblood Report in 1973 believed that the objective of accounting information was to provide useful information for decision makers. Specifically, he argued that:

> "I am sure you [reader] will be astounded to learn only 37% of respondents were able to recommend the adoption of the objective [mentioned above]. 22% recommended that it be rejected out of hand; 10% insisted that it needed further study. It is difficult to believe that only 37% can agree that the basic objective of financial statements [Trueblood Report, 1973]. I think this suggests the problem clearly." (p. 7).

Another limitation highlighted by Dey (1999) is that the theory has difficulties with specifying the user groups that should be considered when deciding on what financial information might be useful as well as the associated decision making processes which the different user groups employ. He stated that the theory was widely criticised in the 1970s since it did not have the ability to meet the needs of a variety of decision makers. Specifically, Mathew and Perera (1996) highlighted that the main objective of financial reports was to meet the needs of shareholders; thus, the needs of other specific users group are ignored.

In addition, decision usefulness theory does not fully explain the appearance of existing reporting practices. Laughlin and Puxty (1981) noted that decision usefulness theory was unable to describe existing reporting practices effectively, since the management is poorly well known to realise what is effectively good for the company based on their findings. Page (1991) argued that users of financial information need forward-looking and neutral information for their decision making process, while the financial statements are based on the past and concerned with the past events.

4.4 Conclusions

The main theory associated with the objective of accounting information, namely decision usefulness theory, was discussed in this chapter. Despite criticisms of this theory, it has been fundamental in describing the role of accounting information disclosure as well as playing an important role in the history of financial accounting research (Staubus, 2000). Decision usefulness theory of financial reporting was defined and its adoption as the model for standard setters' conceptual frameworks (namely IASB and FASB) was discussed. Moreover, a wide range of prior studies exploring the decision usefulness of different kinds of financial information that adopted decision usefulness theory were also examined. Furthermore, the research questions of the current study focus on the decision maker rather than the agency relationship between the preparer (accountor) and the user (accountee). Thus within the context of decision usefulness, the research objectives concentrate on whether segmental information under IFRS 8 is more useful compared to segmental information that was supplied under IAS 14R. Specifically, the current study adopted this theory for investigating the impact of IFRS 8 on disclosure practices of Jordanian listed companies as well as for examining the perspectives of external auditors, preparers and users of financial statements perspectives about the new international segmental standard.

Chapter 5

Methodology and Methods

5.1 Introduction

Deciding upon the methodological approach to be employed is one of the most important steps for a research dissertation; the choice of the methodology will depend upon the research objective, the nature of the phenomena being investigated and the perspective of the researcher (Tomkins and Groves, 1983). This step begins with identifying the research paradigm that helps to guide the researcher during the research process, then selecting the appropriate methods to ensure that data are collected and analysed in order to answer the research questions being asked (Denzin and Lincoln, 2003).

The main objective of this chapter is to outline the research paradigm in which the current research is located. The methodological choices made by the researcher are explained. Further, the methods employed to answer the research questions are discussed. Specifically, the next section, Section 5.2, discusses Burrell and Morgan's framework for categorising research in the social sciences based upon the ontological and epistemological perspective of the researcher; as well as their assumptions about the structure of society; the resulting four paradigms characterise the various approaches to research within social sciences. Section 5.3 outlines the research methods used within the thesis. Specifically, Section 5.4 details the disclosure index employed, while Section 5.5 discusses the interview method. Finally, Section 5.6 summarises the main conclusions of the chapter.

5.2 Research Paradigms

A research paradigm provides a conceptual framework or a way of seeing and making sense of the social world (Burrell and Morgan, 1979). According to Cresswell (1998) a paradigm is defined as:

> "A basic set of beliefs or assumptions that guide [the researchers'] inquiries. These assumptions are related to the nature of reality, the relationship of the researcher to that being researched, the role of values in a study, and the process of research" (p. 74).

Collis and Hussey (2003) are more specific. They suggest that a paradigm offers "a framework comprising an accepted set of theories, methods and ways of defining data" (p 47). Kuhn (1970) adopts a broader perspective. He describes a paradigm as "standing for the constellation of beliefs, values and techniques that are shared by the members of the [research] community" (p. 175).

What emerges from these different definitions is that a paradigm offers the researcher guidance about their theory and help with selecting the appropriate methods for gathering and analysing data. Thus, the choice of paradigms is very important because it articulates the researchers' world view which will be influenced by the environment in which they are located as well as the issue that is being researched. In particular, researchers need to identify the paradigm within which their research is located in order to highlight their role in the research process (Burrell and Morgan, 1979). Readers of the research results will therefore be able to understand the perspective adopted by the researcher and to critically evaluate any findings arrived at.

According to Burrell and Morgan (1979), the term ‘paradigm’ can be used in three different ways: (i) it can reflect fundamental notions about the world in terms of the philosophical approach adopted; (ii) it can develop guidelines for social scientists to tackle their research questions; and (iii) it can identify the methods, theories and techniques that should be employed to achieve the objectives of the research questions being investigated. In other words, a paradigm has three levels: the philosophical level; the social level; and the technical level. Burrell and Morgan’s (1979) framework suggests that all social science research can be grouped into four paradigms which result from their analyses represent the positions adopted at the extremes of these two dimensions. This section will outline Burrell and Morgan’s (1979) four paradigms in more detail and explain the paradigm employed in the current research.

5.2.1 The Subjective-Objective Dimension

The subjective-objective dimension of social science research depends upon the researchers’ views about four aspects of the world: ontology, epistemology, human nature and methodology. The philosophical assumptions underpinning these dimensions are represented in Figure 5.1. The subjectivist approach sees phenomena as the result of actions and decisions taken by social actors; researchers which adopt a subjective approach focus on how individuals create, modify and interpret the world; they recognise that individuals or groups are free to make decisions that can change their views and lives (Burrell and Morgan, 1979; Belkaoui, 1987; Crotty, 1998). Specifically, the subjective researcher focuses on the meanings that individuals give to their environment, not the environment itself, and concentrate on how individuals interpret the world around them (May, 2001). By contrast, the objective approach views social actors as separate from the social phenomena being investigated; thus, they search for concepts to explain a reality which does not depend upon the perspective of any one individual. For example, Bryman (2004) stated that:

> "Objectivism is an ontological position that asserts that social phenomena and their meanings have an existence that is independent of social actors; implies that social phenomena and the categories that we use in everyday discourse have an existence that is independent or separate from actors" (p. 16).

Figure 5.1 Burrell and Morgan's (1979) Subjectivist and Objectivist Approaches and Assumptions about the Nature of Social Science Research

Subjectivist Approach	Assumptions	Objectivist Approach
Nominalism	Ontology	Realism
Anti-positivism	Epistemology	Positivism
Voluntarism	Human Nature	Determinism
Ideographic	Methodology	Nomothetic
Subjectivist Approach	**Assumptions**	**Objectivist Approach**

Note: This figure shows the subjective-objective dimension two approaches and its assumptions (Burrell and Morgan, 1979).

Ontology refers to the nature of reality concerning the social phenomena that are being examined (Creswell, 1998). Burrell and Morgan (1979) define ontology as "the assumptions which concern the very essence of the phenomena under investigation" (p 1). Crotty (1998) suggests that "ontology is the study of being; it is concerned with 'what is', with the nature of existence, with the structure of reality as such" (p 10). There are two extreme perspectives advanced about ontology. Nominalism assumes that the world is mainly constituted by names, concepts and labels that can help people to structure reality; it assumes that reality is a relative concept, the product of an individual's awareness. At the other end, realism assumes that reality exists in hard, intangible and relatively immutable structures that exist independently of individual consciousness. In other words, realism's notion of ontology suggests that reality exist outside of peoples' minds implying that an objective view of the world is possible (Burrell and Morgan, 1979; Blaikie, 2007).

Burrell and Morgan (1979) also identify two extreme views of epistemology which is concerned with assumptions about the nature of knowledge and how social science researchers understand the world. Specifically they identified epistemology as:

> "Assumptions about the grounds of knowledge about how one might begin to understand about the world and communicate this as knowledge to fellow human beings; entail idea, for example, about what forms of knowledge can be obtained and how one can sort out what is to be regarded as true from what is to be regarded as false" (p. 1).

Crotty (1998) indicated that this "theory of knowledge [should be] embedded in the theoretical perspective and thereby in the methodology" (p. 3). The anti-positivism view suggests that knowledge is subjectively acquired, and does not exist independently of an individual; what is recognised as knowledge and how this knowledge is treated will vary from person to person according to the subjective notion of social science research. By contrast, the positivist view argues that knowledge exists independently of any individual's consciousness, and that this knowledge can be studied in a systematic fashion without reference to any individual (Burrell and Morgan, 1979).

Before choosing the appropriate methodological approach for a research project, Burrell and Morgan (1979) argued that the researcher should consider his or her beliefs about human nature; the relationship between human beings and their environment needs to be clarified. The voluntarism view assumes that human beings are independent and free-willed, and they are free to make decisions that can change their environment. On the other hand, the deterministic view is based on the assumption that human beings as well as their experiences are the products of their environment. Thus, one can examine these experiences or study research subjects by familiarising oneself with their background environment according to this objective view of research.

The fourth methodological assumption is concerned with how the researcher gains knowledge about the world. Critically, this assumption suggests that the methodology employed by the researcher will be shaped by his or her views on ontology and epistemology (Burrell and Morgan, 1979). Researchers who adopt the ideographic, subjective view seek knowledge from personal experiences, whereas the nomothetic view suggests that the social world is similar to the physical or natural world (Burrell and Morgan, 1979) and can be studied by observing outcomes.

5.2.2 The Regulation-Radical Change Dimension

Assumptions about order and conflict relate to alternative perceptions about the structure of society (Lockwood, 1956; Dahrendorf, 1959). According to Burrell and Morgan (1979) 'order' focuses on stability, integration, functional coordination and consensus, whilst 'conflict' concerns the challenges associated with change, disagreement, disintegration and coercion in society's structures. However, they relabelled these two alternative perspectives on the nature of society 'regulation' and 'radical change' in their analysis; the characteristics of these two alternative approaches are listed in Figure 5.2. Burrell and Morgan (1979) argue that these different labels facilitate a clearer distinction between the research interests of those examining social science issues.

Figure 5.2 The Characteristics of Regulation and Radical Change Approaches of the Nature of Society

The Sociology of 'Regulation'	The Sociology of 'Radical Change'
- The status quo	- Radical change
- Social order	- Structural conflict
- Consensus	- Modes of domination
- Social integration and cohesion	- Contradiction
- Solidarity	- Emancipation
- Need satisfaction	- Deprivation
- Actuality	- Potentiality

Note: This figure shows the components of Burrell and Morgan's (1979) two alternative approaches of the nature of society.

The regulation approach provides explanations of society's structures which stress the need for control of human interactions with an entity. On the other hand, the radical change approach focuses on notions of power and divisions within society; it stresses the conflict that may arise among individuals or groups and highlights the potential for radical change with the research issues being investigated. It is also concerned with freedom and the potential for development (Burrell and Morgan, 1979).

5.2.3 The Four Paradigms

Burrell and Morgan (1979) assumed that the nature of social science could be characterised along a subjective-objective continuum, while the nature of society could be represented by a regulation-radical change dimension. Combining these two dimensions together gave rise to Burrell and Morgan's (1979) four sociological paradigms of social science research (Figure 5.3); they suggested that this framework could help researchers in the social sciences to understand the theoretical basis underpinning their research. Each of the four paradigms was seen as separate and mutually exclusive by Burrell and Morgan (1975); they suggested that a social science researcher had to adopt just one of these paradigms when conducting their work. However, this contention has been criticised by a number of authors such as Chua (1986), Deetz (1996)[76] and Clair (1999)[77]; see Appendix 2.1 for Chua's (1986) classification of philosophical assumptions. Burrell and Morgan's (1979) framework is widely used in the accounting literature, however some academics argue that a researcher is not constrained to select just one paradigm; each represents a continuum and the researcher can position themselves anywhere along that continuum. They can even be in the middle and hence adopt a perspective which spans two of the paradigms (Chua, 1986). Indeed, Chua (1986) criticised Burrell and Morgan's framework for ignoring the possibility that individuals are influenced by their social environment; she adopted a strongly relativist position of scientific truth and reasoning. Moreover, Chua (1989) argued that her framework can be critically used for evaluating other research perspectives in accounting and finance, while she criticised Burrell and Morgan's framework as an end within itself. However, there is a practical advantage in starting with Burrell and Morgan's (1979) framework since it forces the researcher to think about ontology, epistemology, assumptions concerning human nature and methodology. These assumptions were characterised by the subjective-objective dimension, while the regulation-radical change dimension contains different philosophical assumptions about society's structures.

[76] Deetz (1996) criticised Burrell and Morgan's framework stating that it obscured the key differences in research orientations and this may lead to poorly formed discussions about the research findings.
[77] Clair (1999) argued that Burrell and Morgan's framework does not give consideration to either the postmodernist, feminist and psychological perspectives, which seems missing or lacking under functionalism.

If the sociology of regulation fits the research question being examined then the functionalist and interpretive paradigms are appropriate. According to Burrell and Morgan (1979) the functionalist paradigm "represents a perspective which is firmly rooted in the sociology of regulation and approaches its subject matter from an objectivist point of view" (p. 25). By contrast, they argue that the interpretive paradigm is "informed by a concern to understand the world as it is, to understand the fundamental nature of the social world at the level of subjective experience; it seeks explanation within the realm of individual consciousness and subjectivity, within the frame of reference of the participant as opposed to the observer of action" (p 28).

Figure 5.3 Burrell and Morgan's (1979) Four Paradigms for the Analysis of Social Theory

<table>
<tr><th colspan="4">The Sociology of Radical Change</th></tr>
<tr><td rowspan="2">Subjectivism</td><td>Radical Humanist</td><td>Radical Structuralist</td><td rowspan="2">Objectivism</td></tr>
<tr><td>Interpretive</td><td>Functionalist</td></tr>
<tr><th colspan="4">The Sociology of Regulation</th></tr>
</table>

Note: This figure shows Burrell and Morgan's (1979) framework of the four sociological paradigms; locations of approaches to change are positioned for each paradigm.

Burrell and Morgan (1979) argued that the researcher who adopts either a functionalist or interpretive perspective agrees with the principle of regulation and stability. However, those in the interpretive paradigm adopt the subjectivist approach, which employs nomialistic ontology, an anti-positive epistemology, a voluntaristic view of human nature and an ideographic methodology. Those who adopt the functionalist paradigm take an objective approach to reality and utilise a realistic ontology, a positive epistemology, a deterministic view of human nature and a nomothetic methodology. In particular, the functionalist researcher attempts to provide rational explanations of human nature and generalise findings from a reality based on facts. In contrast, the interpretive researcher observes the activities of individuals in order to arrive at a better understanding of an aspect of society which is being examined (Dhillion and Backhouse, 2001); the social world is ordered by concepts, names and labels that are employed to structure reality; to gain some knowledge about the situation that is being explored, individuals involved in the research must be consulted to understand these concepts, dimensions and categories (Burrell and Morgan, 1979).

In contrast to the sociology of regulation, the sociology of radical change includes the radical humanist and radical structuralist paradigms; these seek to understand social structures in a holistic way by adopting a Marxist ideology which assumes that society's members have different interests' and wealth (Burrell and Morgan, 1979). The radical humanist paradigm observes society through a subjective lens and seeks to change social structures by eliminating constraints on human potential. It views the world as it is rather than how it might be; researchers who employ the radical humanist paradigm aim to understand the relationship between individual consciousness and the external world; as with the interpretive paradigm, it adopts a nomialistic, anti positivist, voluntaristic and ideographic point of view (Burrell and Morgan, 1979). The radical structuralist paradigm views the social world from an objective stand point and concentrates on changing its structure; as with the functionalist paradigm, it focuses on the real, positivist, deterministic and nomothetic methodology (Burrell and Morgan, 1979).

This study aims to investigate the impact of a new segmental reporting standard on the disclosure practices of Jordanian listed companies as well as examining perspectives of external auditors, preparers and users (investors and analysts) of financial statements. In this thesis, the researcher employs an objective approach; he believes in a realist ontology where segmental data conveys information to others by describing the business and geographical operations of a firm. A positivist epistemology is employed as knowledge is gleaned from the publications of companies in their annual reports as well as from the perceptions of those who produce, read and audit the financial statements of companies.

The thesis adopts a deterministic view of human nature since it assumes that companies disclose segmental information in order to provide the users of financial statements with relevant information and that they respond to accounting standards such as IFRS 8 by seeking to implement its requirements. Further, the thesis assumes that readers of the financial statements will react to segmental disclosure changes in a specific fashion when studying the information disclosed, and a nomothetic methodology is adopted. Thus, this study is located in the functionalist paradigm. Moreover, decision usefulness theory seems appropriate when the functionalist paradigm is adopted; this theory accepts the status quo and suggests that financial statements contain important information for investors (i.e. a reality about a corporation). The functionalist paradigm also seems to fit the objectives of this thesis' research. According to the objectives of this thesis, the researcher is investigating how the new accounting regulation is implemented rather than on how society might be changed. Specifically, the researcher is examining the impact of IFRS 8 rather than trying to change the way in which the Jordanian companies disclose segmental information. Moreover, the researcher employs mainly quantitative techniques which measure the changes in disclosure associated with the introduction of the new standard. Qualitative research methods are also used in the current thesis. Specifically, external auditors, preparers and users of financial statements are interviewed about the introduction of the new standard on segmental reporting; thus, this thesis employs a mixed methods approach. However, these interviews are mainly functionalist since the researcher is seeking to shed light on the disclosure index results obtained. Further, a semi-structured interview method is employed where the researcher selects the issue to be discussed (IFRS 8) and the aspects of the new standard about which views are sought. In analysing these interviews a functionalist approach is also taken since common themes are identified and responses to issues grouped together.

Overall, it is clear that the current study is conducted within the functionalist paradigm; but some interpretation will be considered when evaluating the participants' views of the issues raised during the interviews conducted in this research. This strategy was adopted in order to satisfy the research objectives of the study and to reflect the researcher's underlying philosophical assumptions. In other words, this study is mainly located in the functionalist paradigm of Burrell and Morgan's (1979) framework, however, the interviews add an interpretive dimension to the analysis; interviews are conducted, but these are mainly employed to aid the functionalist paradigm adopted. Thus, this thesis agrees with Chua's (1986) position of an intermediate standpoint; the researcher can be located in more than one paradigm. The next section will discuss the specific research methods employed.

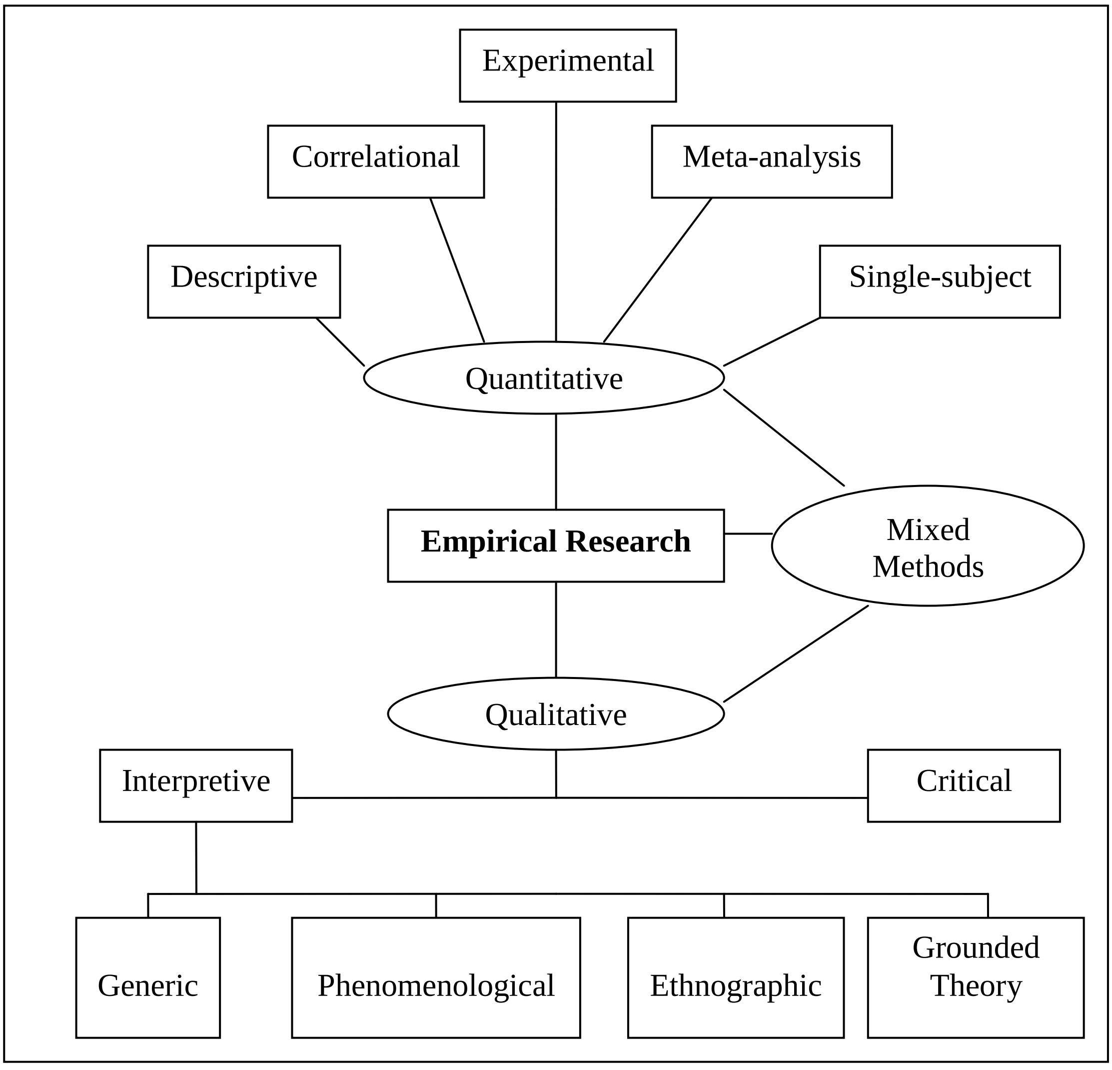
5.3 Research Methods

Financial reporting is similar to other social sciences research fields; it is influenced by the ontological, epistemological and human nature assumptions of the researcher and these assumptions impact on the research methodology employed. Crotty (1998) defines methodology as:

> "The strategy, plan of action, process or design that is lying behind the choice and use of particular methods and linking the choice and use of methods to the desired outcomes" (p. 3).

Moreover, Collis and Hussey (2003) argue that methodology is "the overall approach to the research process, from the collection to analysis of the data" (p 55).

Figure 5.4 Organisation of Empirical Research



Note: This figure shows the types of research that can be undertaken. The framework is adopted from Locke et al. (2004, p. 132).

Both qualitative and quantitative approaches can be employed for collecting and analysing data. Qualitative methods were employed by studies in the social sciences to allow researchers to study social and cultural phenomena (Miles, 1079; Denzin and Lincoln, 2005). Quantitative methods are developed in the natural sciences to research phenomena that could be counted and where statistical techniques could be used to summarise and analyse the information gathered (May, 2001). According to Locke et al. (2004) research methods can be categorised into three broad divisions: quantitative, qualitative and mixed methods (see Figure 5.4).

Once a researcher identifies the methodology, the appropriate methods should then be selected to address the research questions being considered. According to Crotty (1998) these methods are “the techniques or procedures used to gather and analyse data related to some research question or hypothesis” (p 3). In the social sciences, data appropriate to the researchers’ paradigm can be collected and analysed using different methods; for example, interviews, textual analysis, case studies, observation and questionnaires. These methods are influenced by many factors in additional to the paradigm which the research is located in, such as the access to data, the research objective, the time available, the environment or context of the phenomena being studied and the population of the event being investigated. These factors affect the choice of methods that the researcher can employ in his or her research (Smith, 2003).

The study adopts a functionalist paradigm although an interpretive perspective will be adopted when considering the participant's views on IFRS 8 (see section 5.2.3); there is an element of 'triangulation' with the qualitative and quantitative methods employed (Punch, 1998; Bernard, 2000; Denzin and Lincoln 2003; Smith, 2003; Bryman, 2004; Locke et al., 2004). Specifically, this approach is useful since the findings of one method can confirm or contradict the results from another research method used.

The objective of this study is to investigate the impact of IFRS 8 on the disclosure practices of Jordanian listed companies. The first strand addresses this objective by examining the annual reports of Jordanian companies for 2008 and 2009 to ascertain whether the new accounting standard impacted on companies' disclosures about their segmental activities. In addition, the experiences of external auditors and preparers as well as the perceptions of financial statement users will be gathered for IFRS 8; in other words, this second strand of the research aims to examine the impact of IFRS 8 from the perspectives of different groups of financial statement stakeholders. Thus, to achieve the objectives of the study two methods were employed: namely, a disclosure index and semi- structured interviews. These methods were chosen because they seemed appropriate for the research questions being asked. In addition, they have been employed in many related prior studies on segmental reporting (Edwards and Smith, 1996; Herrmann and Thomas, 2000a; Ettredge et al., 2002; Street and Nichols, 2002; Jermakowicz and Tomaszewski, 2006; Suwaidan et al., 2007; Dunne et al., 2008; Crawford et al., 2010a). The next two sections will discuss these methods in detail.

5.4 The Disclosure Index Method

Quantitative research methods are concerned with numbers and anything that can be counted. For instance, Punch (2005) defines quantitative methods as follows:

> "The key concept here is quantity, and a number is used to express quantity. Therefore quantitative data are numerical: they are information about the world, in the form of numbers… Measurement is the process by which we turn data into numbers that involves assigning a number to things, people, events or whatever, according to particular sets of rules" (p. 55).

According to Punch (2005), therefore, measurement is a technical process with many similarities to what we do in real life (Somekh and Lewin, 2005; Punch, 2005). Commonly, the measurements for quantitative data are forms of counting or scaling. Counting is straightforward and unproblematic and functionalist researchers find it extremely useful in dealing with the real world; there is a dimension of interest, some scale or quantity that researcher has in mind, which gives meaning to the counting. Scaling is rather different; the quantitative researcher has some characteristic or property in mind that ranges from a large to a small value (Smith, 2003; Babbie, 2007).

Thus, there are a number of different approaches that can be employed when gathering data for quantitative research: specifically, questionnaires, experiments, simulation and data retrieval (Bernard, 2000; Bryman, 2004). The purpose of this study is to investigate the impact of IFRS 8 on the disclosure practices of Jordanian listed companies; specifically, the quantity of disclosed segmental information is explored. To investigate this topic, segmental information that is disclosed in the annual reports of Jordanian companies for 2008 and 2009 will be examined to see whether the information mandated under IAS 14R in 2008 changed as IFRS 8 was adopted in 2009. Thus, this thesis considers whether the Jordanian companies disclosed segmental information as required by IAS 14R and IFRS 8, and whether they limited themselves to compliance with the mandatory requirements of the accounting standards or whether they supplemented these data with voluntary segmental disclosures; thus the impact of IFRS 8 on Jordanian companies' segmental disclosures is measured.

Some prior studies investigating the extent and quality of disclosure have initially prepared a pre-determined list of those items of information which were considered to be important in the decision-making process for internal and external users and/or regardless of what users thought; after that they considered an weighted or un-weighted approach for the disclosure index score of items of financial information (Robbins and Austin, 1986, Wallace, 1987; Cooke, 1989; Marston and Shrives, 1991; Hossain et al., 1995; Suwaidan, 1997; Herrmann and Thomas, 2000a; Street et al., 2000; Doupnik and Seese, 2001; Camfferman and Cooke, 2002; Hassan et al., 2006; Ettredge et al., 2002; Suwaidan et al., 2007; Aly and Simon, 2008). They then determined whether these items were present in companies' annual accounts; this checking was performed using a disclosure index checklist[78]. For example, Suwaidan et al. (2007) investigated the extent to which segmental information mandated under IAS 14R was disclosed by Jordanian industrial companies listed on the ASE for annual reports published in 2002; they employed a checklist of mandated segmental information under IAS 14R. After that, an un-weighted approach (0 or 1) was

[78] For clarification, the research method is called 'disclosure index'; this method has two main steps. The 'disclosure index checklist' is the first step of this method which the researcher prepared a list of financial items that he/she wants to investigate in the annual reports. The next step is the 'disclosure index score' means the weighted or un-weighted score employed by the researcher for investigating the disclosures in the annual reports. For the current study purposes, sections 5.4.1 and 5.4.2 discuss these steps in detail.

employed. In an earlier US study, Herrmann and Thomas (2000a) compared the 1998 segment reporting disclosures under SFAS 131 with those reported the previous year under SFAS 14 for annual reports of 100 sampled firms. They employed a checklist of requirements from these standards as well as any voluntary segmental disclosures; they also used an un-weighted approach (0 or 1) for each item included in the checklist.

Thus, the disclosure index method has been widely used to answer questions about the contents of financial statements. For example, Coy and Dixon (2004) argued that:

> "Disclosure indices are an oft applied method in accounting research, particularly in studies of annual reports, being used to provide a single-figure summary indicator either of the entire contents of reports of comparable organization or of particular aspects of interest covered by such reports" [sic] (p. 79).

Others have supported Coy and Dixon's claim. They have argued that the disclosure index is an appropriate tool to explore the nature 'extent' (quantity) of information provided in published financial statements. For example, Marston and Shrives (1991) state that:

> "One research instrument that has been used in numerous publications is an index of disclosure of particular information in company reports. Such an index aims to show the level of disclosure in a set of company accounts. It can be used to show compliance with regulations if the items in the index are so chosen or conversely it can be used to show the level of voluntary disclosure." (p. 195).

The central concepts underpinning a disclosure index are reliability and validity. The evidence obtained from the disclosure index method should be reliable in the sense that another researcher employing the same index should achieve the same results (Punch, 1998). The validity construct refers to the extent to which an instrument measures what it claims to measure, and whether it quantifies what the researcher intended to focus on (Punch, 1998; Black, 1999). In the remainder of this section, the disclosure items included in the index, the weightings employed, the reliability and validity tests used, and the sample of firms for which the index will be calculated are discussed.

5.4.1 The Disclosure Items

Identifying what to include in a initial list of items is considered one of the most important steps when constructing a reliable and valid disclosure index (Punch, 1998; Black, 1999). The items which constitute the checklist need to represent the sample's financial disclosures being investigated. Wallace and Naser (1995) argued that there is no generally agreed theory on constructing a disclosure index; the constituents vary from one research study to another and the choice of variables to include in an index depends on the objectives of the research. Moreover, the success of the disclosure index method depends on the careful selection of items to be included in the index (Marston and Shrives, 1991).

In prior studies, the number of items included in a disclosure index varies from one investigation to another depending on the phenomenon addressed. For example, Ettredge et al. (2002) considered only 16 items in their index on internet financial reporting while Cooke (1989) included up to 224 items in his index for voluntary corporate disclosure. Furthermore, the checklist might includes mandatory disclosure requirements identified from accounting regulations, such as Companies' Acts (Robbins and Austin, 1986, Wallace, 1987; Cooke, 1989), stock exchange requirements in the country studied (Cooke, 1989; Hossain et al., 1995; Wallace and

Naser, 1995; Herrmann and Thomas, 2000a; Street et al., 2000; Doupnik and Seese, 2001; Street and Nichols, 2002; Camfferman and Cooke, 2002; Ettredge et al., 2002; Suwaidan et al., 2007) or international accounting standards (Hassan et al., 2006; Suwaidan et al., 2007; Dunne et al., 2008). For instance, Suwaidan et al. (2007) and Street and Nicholas (2002) investigated the impact of IAS 14R on the segmental information disclosed in annual reports; they employed the international accounting standard as a guide for deciding upon the constituents of their index[79]. Moreover, Suwaidan et al. (2007) supplemented the IAS 14R items with additional requirements from Securities Law of 2002 for Jordanian listed companies which mandated disclosure categories that were also specified by IAS 14R: the type of products/services provided by business segments and the composition of geographic segments (Article 4). Thus, Jordanian legalisation influenced the checklist for their study[80].

To ensure that the index picks up all of the segmental information provided by the Jordanian companies in this investigation, a pilot study of 46 annual reports was undertaken for 2008 and 2009. This step also ensured that the final index was appropriate for the companies listed in different sectors of the ASE (i.e. banking, industrial, services). The checklist incorporated 36 items[81]. Sixteen items were based on IAS 14R mandated disclosures (IASC, 1997), and a further 5 voluntary items were

---

[79] Suwaidan et al.'s (2007) disclosure index checklist included 16 items that were identified from the requirements of IAS 14R. Street and Nicholas (2002) included the same 16 requirements of IAS 14R as well as 17 voluntary items that could have been disclosed by their sample companies.

[80] In another example of where legislation influenced the checklist for a disclosure index, Cooke (1989) investigated the voluntary disclosures of companies, and constructed a checklist based around legislative influences on financial accounting principles in Sweden.

[81] The checklist included segmental information that is required by both IAS 14R and IFRS 8 (see Table 3.3). Some of the primary segment items which had to be published under IAS 14R were also required disclosures for operating segments under IFRS 8 such as segmental profit, assets, and liabilities (if regularly reviewed by the CODM). Moreover, information on the type of products and services is required as a part of 'general information' under IFRS 8. This item was also required under IAS 14R as 'other' requirements.

identified from a pilot-review of Jordanian companies reporting in 2008 (net cash flows for primary segments and reserves for primary segments) and 2009 (direct administrative expenses, investments and intangible assets for operating segments). The remaining 15 items were drawn from those variables required by IFRS 8 to be disclosed if the item is included in information that is regularly reviewed by the CODM (IASB, 2006a). The disclosure index check list is reproduced in Figure 5.5.

Figure 5.5 Disclosure Index Checklist

IAS 14R Requirements
Primary Segment:
Revenue (external)
Revenue (internal)
Profit
Assets
Basis of inter-segment pricing
Liabilities
Capital expenditures
Depreciation & amortisation
Other non-cash expenses
Profit from associates and joint ventures
Reconciliation to consolidated accounts
Secondary Segment:
Revenue (external)
Assets
Capital Expenditures
Other:
Type of products/services of Business Classes
Composition of Geographic Segments
IFRS 8: if reviewed by the CODM
Profit for operating geographic segment
Liabilities for operating geographic segment
Depreciation & amortisation for operating geographic segment
Other non-cash expenses for operating geographic segment
Reconciliation to consolidated accounts for operating geographic segment
Revenue (internal) for operating geographic segment
Basis of inter-segment pricing for operating geographic segment
Profit from associates and joint ventures for operating geographic segment
Basis of measurement
Interest revenue
Interest expense
Income tax expense
Factors used to identify the entity's segments
Entity-Wide (major customers)
Entity-Wide (products and services)
Voluntary Segmental Items
Net cash Flow
Reserves
Direct administrative expenses
Investments
Intangible assets

Note: This figure shows the disclosure index items included for this study to investigate the segmental disclosure of Jordanian companies for 2008 and 2009 annual reports. It should be noted that profit and assets are required by IFRS 8 which already included in the checklist since these two items are already required by IAS 14R. Because all of the Jordanian companies in this sample used business classes as their primary segment under IAS 14R, some of the 'additional' information provided by the sample firms under IFRS 8 related to operating segments based on geographic information. The final seven items in this figure under the "IFRS 8: if reviewed by the CODM" heading were specifically mandated by IFRS 8 if provided to, and regularly reviewed by the CODM. The voluntary items were picked up from an analysis of current practice and were not mandated in IFRS 8 or IAS 14R.

5.4.2 Weighting and Scoring the Disclosure Items

After establishing the disclosure index checklist, the next step is to assign weightings to each item in order to calculate disclosure index score. The items captured in the disclosure index checklist can be identified using two approaches: (i) a weighted approach, where weights might be obtained for the significance of each item as determined by users of financial statements who have ranked the importance of each item according to some scale, and (ii) an un-weighted approach which treats all financial reporting items as equally important in order to avoid any subjectivity associated with the weighted indices[82] (Cooke and Wallace, 1989; Marston and Shrives, 1991). According to prior studies the weighted approach suffers from three criticisms. For example, Suwaidan (1997) noted that:

> "Firstly, weights are assigned by respondents in a non-decision making context. Consequently, they may not fully reflect the importance of the items in actual decision-making. Secondly, there is a tendency on the part of respondents to assign high weights to those items not currently disclosed by companies" (p. 111).

Thirdly, Cooke and Wallace (1989) have argued that:

> "It should be noted that any scaling method for assigning weights to individual disclosure items has the potential to mislead. This is because the level of importance which is attributable to a disclosure item varies according to the entities, transactions/events, the user, company, industry and the time of the study" (p 51).

The current study adopts the un-weighted approach. The dichotomous method is used for constructing the index score; an item is scored 1 when it is disclosed and 0

[82] This is labelled the dichotomous approach: when an item is disclosed a value of 1 is recorded and when an item is not disclosed a value of 0 is given.

otherwise. The main assumption of this approach is that all items included in the index are treated as equally important (Gray et al., 2007). In fact, the current study focuses on the change of disclosure associated with the introduction of a new standard where no prior evidence exists about the weightings which users might attach. Those studies which adopt a weighted disclosure index approach mostly base their weightings on surveys sent to relevant user groups which ask about the importance of each item in an index (Beattie et al., 2004). However, Wallace (1988) argues that prior studies which employ this approach to estimate a disclosure index weighting scheme have the problem of assuming that a consensus exists within all types of user groups about the weighting of items that are included in the checklist; and thus the perception of users can be elicited by a survey. In other words, this survey approach assumes that an item might be important for a specific group (i.e. investors), but unimportant for another type of user (i.e. creditors) when considering their decision making needs. Finally, Jordan is not an open society (Piro, 1998); there is no easy way to ask all types (or even most types) of users (groups) about their views on the weightings of items that are included in a disclosure index checklist as in developed countries such as in US or UK (Shoup, 2007). Therefore, the current study adopts an un-weighted approach for calculating the disclosure index. The total disclosure score of mandatory and voluntary segmental items (TD) for a company was calculated by adding the individual scores for the different items and then dividing this sum by the total items included in the disclosure index checklist (m):

$$TD = \sum_{i=1}^{m} d_i / m \qquad [5.1]$$

where d = 1 if the item is disclosed and 0 otherwise.

The main problem with this approach is that each item included in the index may not necessarily be relevant for all companies. For instance, in the disclosure index for this study, all companies have external revenues, but they may not necessarily have inter-segment sales. Thus, this segmental item and the basis of inter-segment pricing may not be relevant for a particular company. Moreover, not all companies have joint ventures or associate companies, so the segmental item for "profit from associates and joint ventures" as required under IAS 14R and IFRS 8 (if reviewed by the CODM) may also be not relevant. Cooke and Wallace (1989) argued that:

> "If an item is not mentioned in the annual report of the company this means that the item is not relevant to this company in that year" (p. 197).

To solve this problem the annual reports were read to confirm the total possible disclosure score for each individual company, and this company-specific total was used to calculate a company-specific disclosure score[83]. Thus, the disclosure score was tailored to differentiate between non-disclosure of a relevant item, scored as 0, from non-disclosure of an irrelevant item, noted as not applicable (N/A) (Cooke and Wallace, 1989).

5.4.3 Reliability and Validity of the Disclosure Index

Reliability and validity are the two main concepts used by social scientists to evaluate the quality of any measurements employed and the credibility of the research instrument developed (Carmines and Zeller, 1991). Reliability relates to whether or

[83] Total possible disclosure for inter-segment sales and basis of inter-segment pricing was only 9 out of the 70 companies in the sample. Total possible disclosure for the profit from associates and joint ventures item was only 41 out of 70 companies. In other words, 61 companies received an N/A for internal revenue and the basis of inter-segment pricing items and 39 companies for associates and joint ventures item.

not an index yields consistent results that could be replicated if the process was repeated a number of times (Gray et al., 2007). In particular, it refers to the probability of similar results being generated irrespective of which researcher uses the index to measure the disclosures of a specific company at a given time. This reliability should occur because the information measured by the index is derived from the same annual report (Marston and Shrives, 1991; Gray et al., 2007). Within the context of a disclosure index, the term ‘validity’ refers to the extent to which an instrument measures (i) what it claims to measure and (ii) what the researcher intends to study (Punch, 1998; Black, 1999). It is therefore concerned with whether the disclosure index measures the quantity of segmental information in a company’s annual financial statements (Marston and Shrives, 1991).

The reliability and validity of the disclosure index can be tested by some common assessments. The three common forms of reliability checks are (i) the test-retest method, (ii) the inter-coder reliability method and (iii) the internal consistency method (Hassan and Marston, 2010). The test-retest method assesses the stability of results that are obtained from the disclosure index over time. Specifically, the researcher calculates the disclosure index for a sample initially and again after a period of time has elapsed; the two measures for each company are then compared. This ensures the consistency of the results obtained as well as spotting any differences that emerge (Hassan and Marston, 2010). The second check is inter-coder reliability; it assesses whether the same results can be obtained from the disclosure index when two or more researchers apply the checklist; two or more researchers are needed to perform this test (Weber, 1990). The third form of reliability is internal consistency; this test refers to whether the different items that are employed in the research instrument are measuring the issues that are being addressed by the researcher (Punch, 1998). The most common test of internal consistency is Cronbach's alpha where the higher the alpha coefficient, the greater the reliability of the scale being employed (Litwin, 1995).

As regards to the validity of the disclosure index, there are three familiar forms of validity that can be assessed: (i) criterion validity, (ii) content validity and (iii) construct validity (Hassan and Marston, 2010). Criterion validity assesses if there is a significant correlation between the disclosure index measure and an external criterion; thus it tests the research instrument checklist against an external (another) research instrument or predictor. Hassan and Marston (2010) argued that when measuring criterion validity "the higher the magnitude of the correlation coefficient, the more valid is this instrument or measure for this particular criterion" (p. 28). Content validity refers to an assessment of whether the instrument measures what it is intended to measure; this is done by seeking the subjective judgment of non-expert individuals about the research instrument (Black, 1999). Construct validity refers to a measure of the consistency of the disclosure in a particular study with a pattern of findings from prior investigations of the same topic (Hassan and Marston, 2010)[84].

The reliability and validity of the disclosure index can be affected by many practical problems that arise when index scores are being awarded to companies: the problem of giving each item in the checklist a partial score; penalising companies for inapplicable items by categorising them as non-disclosed items; the problem of comparing disclosure indices from different sectors such as insurance, banks, service

[84] The following studies provide more details about the various forms of reliability and validity tests which can be performed: Weber (1990), Black (1999) and Hassan and Marston (2010).

and manufacturing companies as in the current study. Each sector is different and hence applying one standardised checklist may result in inapplicable items for a specific sector[85]. In addition, the validity of the disclosure index could be affected by research errors; for instance, labelling a voluntary item of information as mandatory and vica versa (Wallace, 1989; Marston and Shrives, 1991). In this case, the research does not measure what it claims to measure.

To increase the reliability of the index used in the current thesis, the researcher employed the test-retest and inter-coder reliability checks[86]. Specifically, the annual reports for the financial periods 2008 and 2009 were coded twice. In addition, an extract from a sample of the annual reports (in English) was read by both the student and his supervisors to check the reliability of the student's coding[87]. This strategy was employed to ensure that the scoring was consistent and to avoid any mistakes with the coding before the index results were analysed and the findings examined; an item was considered relevant for a company if it was appropriate to its operations; the non-applicable items were removed from the index. To improve the reliability of the index further, a scoring sheet was developed by the researcher, and reviewed by his

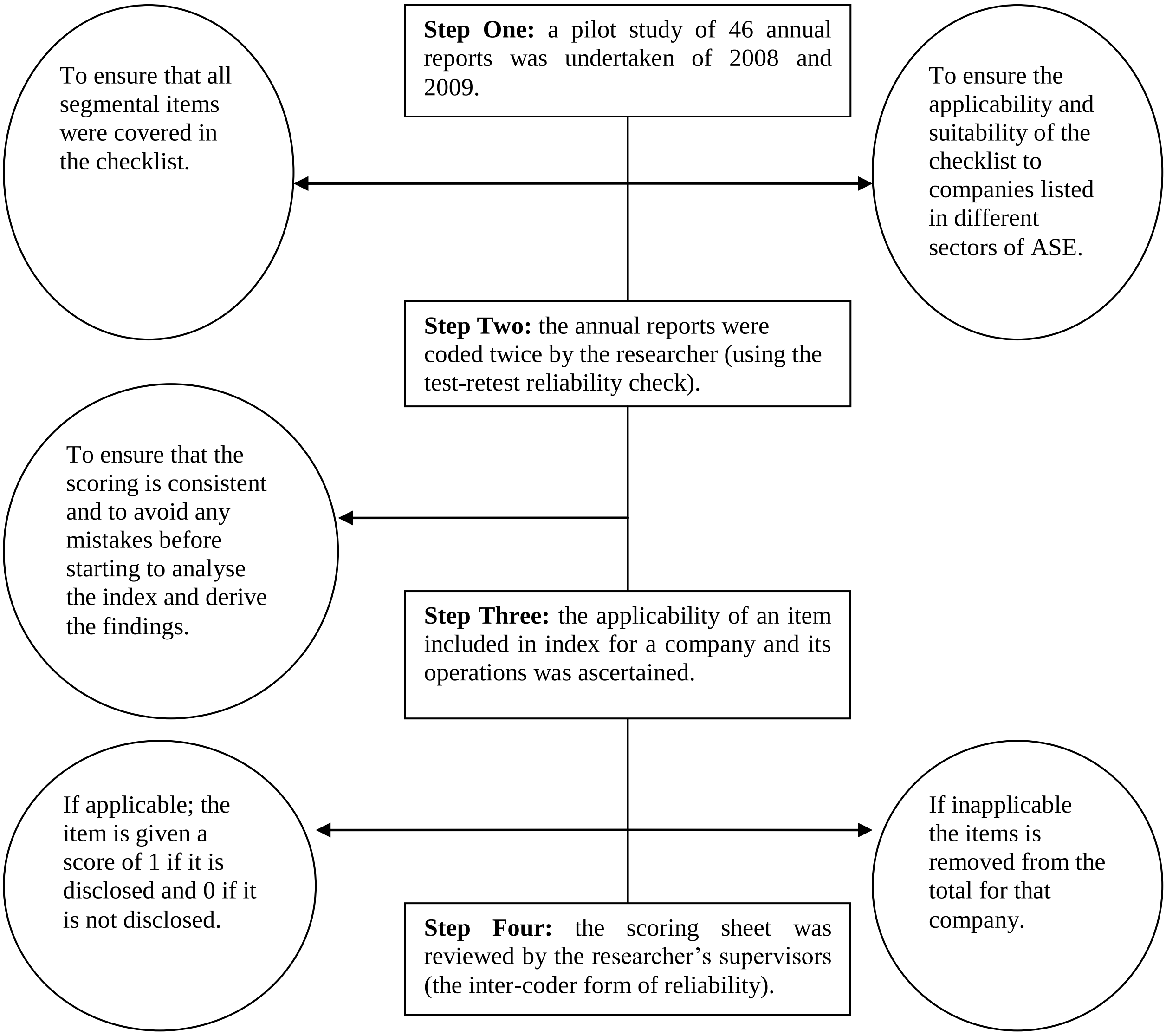
[85] The current study did not take a company's sector into consideration when preparing the disclosure index checklist; instead, it focused on the introduction of the new standard (IFRS 8) based on the management approach and its requirements. This decision was based on the fact that all companies are required to comply with IFRS 8 in Jordan and the researcher had no prior views on why certain items stipulated in IFRS 8 might not apply to a specific sector. In addition, since the management approach of IFRS 8 stipulates that information regularly reviewed by the CODM should be published, it was not obvious why there might be a sectoral influence on the information which CODM might regularly review.

[86] The internal consistency form of the reliability test is not employed in the current study since this thesis adopted the un-weighted approach to the disclosure index construction. The internal consistency form is useful for researchers that employ the weighted approach to measure the scale's reliability (e.g. Ronen, 2008; Haddad et al., 2009; Hassan et al., 2009) because such researchers will be in contact with other individuals when ascertaining the weightings that must be applied to their disclosure index (Hassan and Marston, 2010).

[87] Specifically, at the start of this process, the student and his supervisors each read relevant extracts from reports for 2008 and 2009 (in English) and completed the checklist. Only minor differences arose and these were discussed at a meeting to resolve any issues that emerged. The research student then analysed the remainder of the reports.

supervisors. Figure 5.6 summarises these steps followed in order to ensure that the index was as reliable as possible.

Figure 5.6 Steps Take to Improve the Reliability of the Index



Note: This figure shows the steps followed to ensure the reliability of the disclosure index employed. In step two, there was a period of time between the first reading of the annual reports and the second reading in order to improve the objectivity of the disclosure index results; this is called test-retest form of reliability check. Step four measured the inter-coder reliability of the disclosure index. In addition, one of the supervisors analysed a set of financial statements (in English) for one of the sample companies (The Jordan Cement Factories) and compared his results with the findings obtained by the researcher.

In addition to taking the steps outlined in Figure 5.6, the researcher also made several attempts to reduce any problems associated with the validity of the constructed indices by comparing the findings of the current study with results from the prior literature – thus employing a construct form of validity[88]. The subjectivity problem associated with determining the weightings of the disclosure was reduced because of the decision to employ the un-weighted approach. Thus, subjectivity was avoided in assessing the extent to which a disclosure occurred. As a result, content validity test was not tested in the current investigation; however, this was not seen as a major limitation since subjective weightings were not employed in calculating the index. Specifically, Dhaliwal (1980) has argued that content validity assessment only relates to a subjective form of validity for a research instrument based on users' perceptions regarding their own use of financial information. Instead, the current study focuses more on construct validity tests where results are checked against a pattern of findings from prior studies. In particular, the mandatory items included in the disclosure index of the current study were constructed from the requirements of two standards; Suwadian et al. (2007) and Crawford et al. (2010b) also constructed their disclosure indices based on IFRS 8 and IAS 14R requirements[89]. The researcher has reviewed the findings of prior studies on disclosure indices about segmental reporting in order to construct the disclosure index employed in the current study. In other words, the current study constructs the mandatory items of the disclosure index based on both IAS 14R and IFRS 8 requirements and achieves patterns of results

[88] The disclosure index of the current study has not been tested on the basis of a correlation with another external criterion. Thus, the criterion form of validity test is not used for the current study since there is no other relevant external instrument against which to compare it.

[89] Suwadian et al. (2007) investigated the level of segmental disclosure for Jordanian industrial listed companies in annual reports of 2002. Crawford et al. (2010b) examined the impact of the introduction of IFRS 8 for a sample of UK companies.

which are consistent with findings from prior studies (Suwadian et al., 2007; Crawford et al., 2011).

In addition, the applicability of the item included in the checklist was based on the company and its operations. In other words, the segmental items included in the index such as inter-segment sales and profits of associates and joint ventures were essentially ascertained against the company's operations; they were not expected to be relevant for all companies included in the sample. Hence, this ensured that the constructed disclosure index checklist was not biased because a sample company was from a specific sector[90]; the items included in the disclosure index checklist were not affected by whether companies from different industries were involved in the study. Specifically, the segmental items included in the disclosure index were regularly published in the financial statements of the sample companies; extra-ordinary or intangible items were not included in the checklist as these would only be specific to certain firms. These procedures not only enhance the validity of the research instrument, but also improved the reliability of the approach taken.

5.4.4 The Population and Sample

The current study investigates the extent to which Jordanian companies comply with IFRS 8. It also examines the impact of the new standard on the segmental disclosures of the companies listed on the ASE. Specifically, this empirical investigation compares the annual reports of the first-market companies in 2008 prepared under IAS 14R with the annual reports for the same sample in 2009 prepared under IFRS 8; the disclosure index approach outlined in Section 5.4.3 is used. The

[90] The objective of the research is to investigate the impact of IFRS 8 on the disclosure practices of all Jordanian listed companies with no specification for any specific sector.

main objective of this approach is to compare the level of segmental information disclosed in the annual reports of Jordanian companies listed in the ASE before and after the introduction of IFRS 8. The new standard became effective in Jordan for periods beginning on or after 1st January 2009 although early adoption was permitted. Thus, reports for the years 2008 and 2009 were chosen to answer this research question. The year 2008 was the last year that segmental information was prepared in accordance with IAS 14R, while 2009 represented the introduction of IFRS 8 for the Jordanian companies listed on the ASE[91]. The ASE official website was used to determine the number of listed companies for 2009. According to this website, companies on the ASE could be grouped into three main sectors: Financial, Services and Industrial; the financial sector was divided into three sub-sectors: Banks, Insurance and Financial Services. From the website, Jordanian companies were listed on two main markets; Table 5.1 describes the population of the study.

Table 5.1 Companies Listed In the Amman Stock Exchange

Company Sector		First Market	%	Second Market	%	Total	%
Financial	Banks	14	93.3	1	6.7	15	5.5
	Insurance	10	35.7	18	64.3	28	10.3
	Financial Services	36	48.6	38	51.4	74	27.1
Services		25	40.3	37	59.7	62	22.7
Industrial		34	36.2	60	63.8	94	34.4
Total		**119**	**43.6%**	**154**	**56.4%**	**273**	**100%**

Note: This table shows the ASE listed companies based on the ASE website http://194.165.154.66/markets.php (Date Accessed: 21/12/2009).

An analysis of this table reveals that there were 273 companies listed on the ASE. These companies were quoted on two markets; 119 (43.6%) companies on the

[91] Early adoption of the standard was promoted by the IASB. To investigate if there was any early adoption among this Jordanian sample, annual reports for 2008 were analysed. From this analysis, no early adopters of IFRS 8 were detected.

first market and 154 (56.4%) companies on the second market. The first market represents the largest listed firms with the best financial performance; it is home to most of the banks. More than half (56.4%) of all Jordanian public companies are listed on the second market and these tend to be small or medium sized (i.e. family-owned) whose financial performance is less impressive than those of first market firms; these companies might not disclose a great deal of segmental information in their annual reports for either 2008 or 2009 since they may only sell one product or service and not operate internationally. Moreover, the financial sector represents the largest number of firms in ASE with 117 (42.9%) out of the population of 273 companies being in this industry; the services sector is only about half the size of the financial sector in terms of the number of companies.

Prior studies have argued that the size of the company can have a significant impact on the extent to which segmental information is disclosed (Rennie and Emmanuel, 1992; Ettredge et al., 2005; Tsakumis et al., 2006; Talha et al., 2006; Talha et al., 2007; Suwaidan et al., 2007). These investigations have documented that large companies disclose more financial information than their small and medium-sized counterparts; in particular, previous studies have noted that larger companies tend to disclose more segmental information. In order to avoid companies which don't disclose a great deal of segmental information in the current study, the second market companies 154 (56.4%) in the population were totally excluded from the sample. The possible bias from including such companies which might publish little or no segmental information in their annual reports is therefore avoided.

In addition, 10 companies from the insurance sector of the first market were excluded from the sample for two reasons. First, none of the insurance companies disclosed any business class quantitative segmental information. For example, in the 2008 accounts of Mediterranean and Gulf Insurance, the firm stated that:

> "For management purposes, the organization of the company includes two segments of business: (i) insurance public segment includes vehicles, marine transport, fire and other damage, liability and health insurance (ii) Life insurance segment. These segments constitute the basis used by the company to show information relating to key segments. These two segments above also include sectors on investments and cash management for the company. Transactions between business segments based on market prices are estimated under the same conditions that prevailed when transactions took place" (p 47).

Second, the Insurance Regulatory Commission (IRC) was established in 1999, as a financially independent entity that issues instructions for the sector as regards the implementation of IAS/IFRS (ROSC, 2004; United Insurance Company, 2008; The Holy Land insurance Company, 2009). Hence, the financial statements of insurance companies in Jordan are prepared in accordance with formats that are determined by the IRC and tend to differ from their non-insurance counterparts (ROSC, 2004). For instance, the Holy Land Insurance company stated in their 2009 annual reports that:

> "The attached financial statements have been prepared in accordance with the forms determined by the Insurance Regulatory Commission" (p. 9).

In other words, published financial information of insurance companies is determined by Jordanian regulators who do not require detailed segmental information to be disclosed. The Banks sub-sector is regulated by the Central Bank of Jordan (CBJ). However, the banks do disclose segmental information in their annual reports and accounts. Further, results based on a pilot study of 46 annual reports for 2008 accounts[92] performed before selecting companies for inclusion in the sample of this study found that the financial statements of banks were similar to these of other non-insurance firms listed in the first market.

Finally, for sample selection purposes, it was decided that companies should have published annual reports available for both 2008 and 2009. In a number of instances, companies were excluded from the final sample because they did not satisfy this criterion. For example, 6 companies listed in 2009 had no annual reports available in 2008. Some 12 companies declared bankruptcy in 2009 and a further 7 companies had no data available. However, these companies were listed in the second market, and already excluded because of the size and performance criteria employed. In other words, none of these companies affected the final number in the sample. The final sample included 109 first market companies from all sectors except the insurance industry (see Appendix 2.2).

All the reports of the sample firms were obtained in Arabic; they were downloaded from the websites of (i) the firm (ii) the ASE or (iii) the JSC. Each was printed and the contents analysed to determine the segmental information that was disclosed. In particular, both quantitative segmental information and narrative text were highlighted where these disclosures related to company segments. This information was then transferred to excel spreadsheets, so that statistical analysis could be performed. Specifically, a number of spreadsheets were constructed to store the segmental information gleaned from each company's annual report.

[92] All the insurance (10) and banks (16) companies' accounts listed on the first market were reviewed before deciding about their suitability for inclusion in the sample. Also, 10 service and 10 industrial companies' annual reports listed on the first market were included in the pilot study.

The first spreadsheet recorded the number of geographic and business (operating) segments about which the firm provided information in 2008 (2009). This spreadsheet also listed the title of each segment. The second spreadsheet concentrated on the items for which segmental information was disclosed (see Figure 5.5 for the checklist of items). In total, 36 columns for items of possible information were included in the spreadsheet to capture all potential segmental disclosures that a company might make in either 2008 or 2009; this data formed the input for the disclosure index analysis reported in Chapter 6. Finally, the narrative disclosures were included in a third spreadsheet and analysed to see whether (i) the sample firms prepared the financial statements in accordance with the introduction of IFRS 8 in 2009, (ii) management explained the disclosures associated with the new standard to users in their 2009 annual reports and (iii) the identity of the CODM was provided by the sample companies in their 2009 accounts. Table 5.2 shows a summary of annual reports obtained and the sampling process employed.

Table 5.2 Annual Reports Obtained and Sampling Process Employed

	First Market (Sample)	%	Second Market (Excluded)	%	Total
Population	119	43.6	154	56.4	273
Less:					
Listed in 2009	(0)	0.0	(6)	100	(6)
Bankrupted in 2009	(0)	0.0	(12)	100	(12)
No data available	(0)	0.0	(7)	100	(7)
Insurance (excluded)	(10)	35.7	(18)	64.3	(28)
Total	**109**	**49.5**	**111**	**50.5**	

Note: This table presents the final sample selected and the exclusion process employed. Population refers to the total number of companies listed on the ASE in 2008 and 2009.

For statistical purposes, the Minitab software package was used to calculate the descriptive statistics such as the mean and median number of segments and segmental items disclosed by the sampled companies. Moreover, the Minitab counting and percentage functions were also employed to disaggregate between the number of companies that disclosed a specific number of segments or segmental items as well as the number of companies that provided segmental information or not; these functions were also useful for calculating the number of companies that provided narrative disclosures about the expected impact of IFRS 8 in their 2008 annual reports and its actual impact on their 2009 annual financial statements as well as the identification of the CODM.

5.5 The Interview Method

Qualitative research methods have a long history in anthropology, sociology and education[93] (Tesch, 1990; Britten et al., 1995; Kvale, 1996; Denzin and Lincoln, 2003). For example, Denzin and Lincoln (2003) define the qualitative approach broadly as follows:

> "Qualitative research is a situated activity that locates the observer in the world. It consists of a set of interpretive, material practices that make the world visible. These practices transform the world. They turn the world into a series of representations, including field notes, interviews, conversations, photographs, recordings and memos to the self. At this level, qualitative research involves interpretive, naturalistic approach to the world. This means that qualitative researchers study things in their natural settings, attempting to make sense of, or interpret, phenomena in terms of the meanings people bring to them" (pp 4-5).

According to this definition, therefore, qualitative researchers try to understand research participants' views about the world while recognising that there are ranges of different approaches for ascertaining the various perspectives that may exist (Maykut and Morehouse, 1994; Britten et al., 1995).

[93] See Britten et al. (1995, pp 108 - 110) for details on the realities, problems and pitfalls of qualitative research methods.

There are a number of different techniques that can be employed when conducting qualitative research, and a variety of data sources that can be used; specifically, interviews and observation. There are two common approaches to interviews in social science research; one-to-one interviews and group interviews[94] can be conducted. Interviews can also vary depending upon the amount of structure that the researcher imposes on the process: they can be structured, semi-structured or unstructured (May, 2001). The semi-structured form of interview helps qualitative researchers to ask a standard set of questions in a flexible manner which includes both closed and open-ended questions; under this approach the researcher or interviewee may pursue an idea by asking a follow-up question or expand on an answer during the interview. The unstructured interview is less constrained than its semi-structured counterpart, and usually focuses on a narrow range of broadly-based topics in great depth (Bernard, 2000; Robson, 2002). However, Britten et al. (1995) have argued that the term "unstructured" may be misleading when referring to interviews:

> "Qualitative interviews are often referred to as being unstructured in order to contrast them with this type of quantitative interview. However the term 'unstructured' is misleading as no interview is completely devoid of structure: if it were, there would be no guarantee that the data would address the research question" (p. 106).

In this study, the semi-structured interview method was employed in order to investigate the impact of IFRS 8 on the disclosure practices of the Jordanian listed companies. Because the research questions of this thesis were well specified, it was felt that some structure was reduced in the interview process in order to address the

[94] Group interviews or focus groups typically involve more than one interviewee in the discussion of topics proposed by the researcher. They allow the researcher to explore many views at once, and measure the extent of agreement about topics among group members. This procedure is widely useful with members of different ethnic communities, particularly where interaction between group members is worth observing (Tesch, 1990; Britten et al., 1995; Patton, 2002).

specific concerns being considered with this thesis. It was felt that group interviews might inhibit some participants from expressing their opinions about the impact of IFRS 8. In addition, group interviews are not widely used in Jordan; the culture of the country makes individuals relatively shy when meeting in groups (Shoup, 2007) as most commercial gatherings tend to be formal occasions where a strict protocol based on factors such as seniority and age tends to be followed; such a setting would not be conducive to group discussions. In addition, one-to-one interviews were chosen because of the practical difficulties of getting several important professionals together in one location at a specific time.

The research questions of this thesis were investigated by obtaining views of three different groups of interviewees: namely (i) external auditors; (ii) preparers of financial statements; and (iii) users of financial statements, especially analysts and investors (see Chapter 4 for the justification for picking those two categories of users). These groups were selected because it was felt that they were knowledgeable about the issues being considered, were articulate when it came to expressing their opinions and might have different perspectives about the impact of IFRS 8 on the disclosure practices of Jordanian companies. Further, this interviewee grouping has been employed in other studies which have ascertained stakeholders' views about the implementation of an accounting standard such as IFRS 8 (e.g. Dunne et al., 2008; FRRP, 2010; Crawford et al., 2010a). The design of the interview questions, the process of selecting individuals for interview and the conduct of the interviews are detailed in the next three subsections.

5.5.1 Selecting the Interview Questions

A mix of both closed, and open-ended questions were selected for the interview questionnaire; the closed-end questions related mainly to the background details of the interviewees while the open-ended questions were used to solicit opinions. The open-ended questions emerged from the literature review, prior questionnaires that were used in this area as well as from concerns that were raised in response to ED 8, IFRS 8 and the IASC's conceptual framework[95] (IASC, 1989; Edwards and Smith, 1996; IASB, 2006a; IASB, 2006c; Jermakowicz and Tomaszewski, 2006; Dunne et al., 2008; FRRP, 2010; Crawford et al., 2010a). These questions examined whether interviewees understood the main features of IFRS 8: for instance, the management approach to defining a company's operating segments; the use of non-IFRS measurements in segmental disclosures; the geographical disclosure requirements for operating segments; how the new standard's requirements differed from IAS 14R; and the identity of the CODM. Initially, the questions on these topics

[95] Specifically, Section B of the interview questions for external auditors and preparers is based on (i) comments to ED 8 about IFRS 8 being a problematic standard, and (ii) the questions asked by Edwards and Smith (1996) in their three face-to-face in depth interviews where the authors sought a deeper understanding of the most important issues relating to the adoption of a previous UK standard - SSAP 25. Section B for the users is different; this section asked whether the respondents studied segmental information when analysing the performance of a company, and if so, what the most useful segmental items were for their decision needs. Crawford et al. (2010a) put similar questions to the participants in their interviews. Section C of the interview questions sought the participants' views on information disclosed under IFRS 8 (the management approach) compared to that which had been mandated under IAS 14R (the two-tier approach), and the differences between the two standards. These questions are based on the standard itself (management approach), FRRP (2010), ED 8 and Crawford et al. (2010a). For example, the IASB discussed the issue of competitive disadvantage in the exposure draft to IFRS 8. Moreover, aspects of IFRS 8's management approach were also discussed in ED 8 such as the definition of segments, the absence of mandatory geographic information, the permission to employ non-IFRS measurements as well as comments on the possible identity of the CODM; the FRRP (2010) report also discussed these issues. Finally, Section D of the interview questions ascertained perceptions on the qualitative characteristics of financial information under IFRS 8 as compared to information which has been published under IAS 14R. Specifically, the objective of financial statements according to the IASB is to provide useful financial information for decision makers. The qualitative characteristics outlined in the IASC's conceptual framework of 1989 – understandability, relevance, reliability and comparability – were used as criteria when asking respondents to assess the usefulness of segmental information in the current study; the thesis sought to examine whether respondents thought that segmental information under IFRS 8 was more or less useful for the decision-making needs of users than segmental information prepared under IAS 14R, in terms of its understandability, relevance, reliability and comparability. See Appendix 2.3 for the English and Arabic versions of the interview questions for the three groups.

were written in English, and then translated into Arabic following consultations with five Arabic PhD students in the School of Business at the University of Dundee. In addition, a number of academic staff in the Accounting Department at the Hashemite University and the Yarmouk University in Jordan were consulted[96]. The interview questions were designed to be understandable by the interviewees. However, any remaining uncertainties about the meaning of different questions were explained during the interview by the researcher.

The number of questions was different in the semi-structured questionnaire for each of the three groups: (i) the instrument for external auditors contained 19 questions; (ii) the instrument for preparers included 20 questions; and (iii) the instrument for users had 17 questions. However, the majority of these questions were common for all three groups; most of the remaining questions were the same for both external auditors and preparers. The open-ended nature of some of the interview questions allowed some flexibility in the responses for the three groups, while ensuring that the same issues were addressed during each interview; the exact wording and sequence of questions was determined in advance in order to increase the comparability of responses, to obtain natural progression in the commentary by the interviewees, to encourage additional questions that might expand on particular perceptions relating to aspects of IFRS 8 and to explain any difficulties associated with the implementation of the standard (Kvale, 1996; Patton, 2002). Table 5.3 shows an analysis of the number of common questions between the various groups.

[96] Opinions and amendments were gathered from two academic staff from the Hashemite University (Dr. Ayman Haddad and Dr. Mohanad Atmeh) and one academic staff member from Yarmouk University (Dr. Abeer Khouri).

Table 5.3 The Number of Common and Different Questions in the Questionnaire					
Group	**All Groups**	**EA and P**	**EA and U**	**Uncommon**	**Total**
EA	12	5	1	1	**19**
P	12	5	0	3	**20**
U	12	0	1	4	**17**

Note: This table shows the number of questions for each group, and the common questions. EA refers to external auditors, P refers to preparers and U refers to users of financial statements.

For all groups[97], the first section of the questionnaire sought background information about the interviewees. The second section of the questionnaire for users was different from that for external auditors and preparers. For the latter groups, this section focused on the introduction of IFRS 8 and ascertained views about any difficulties associated with the implementation of this standard; users were asked whether they studied segmental information when analysing the performance of a company, and if so, what the most useful segmental items were for their decision needs. The third section of the questionnaire investigated the participants' views on information disclosed under IFRS 8 (the management approach) compared to IAS 14R (the two-tier approach), and the differences between the two standards. The final group of questions ascertained perceptions on the qualitative characteristics of financial information under IFRS 8 as compared to information which has been published under IAS 14R. Specifically, it examined whether segmental information under IFRS 8 was more or less useful for the decision-making needs of users than segmental information prepared under IAS 14R, in terms of its understandability, relevance, reliability and comparability. Thus, this section of the questionnaire concentrated on the decision usefulness of the segmental information provided, since this underpins the conceptual frameworks of the IASB, FASB, and JACPA as well as

[97] See Appendix 2.3 for the English and Arabic versions of the interview questions for the three groups.

previous studies that have evaluated the introduction of new accounting standards (Dunne et al., 2008; Finningham, 2010). For interview questionnaire purposes, the analysis of the results is based on four main themes: (i) the introduction of IFRS 8 and whether there were any difficulties associated with the initial usage of the standard; (ii) the contents of IFRS 8 and participants' perceptions regarding contentions aspects of the standard such as the management approach to identifying segments, the use of non-IFRS measurements, and the identity of the CODM; (iii) interviewees' views about the quality and quantity of segmental information disclosed under IFRS 8 relative to IAS 14R; and (iv) participants' thoughts about the qualitative characteristics of financial information provided under IFRS 8 as regards to its understandability, relevance, reliability and comparability; users were asked about whether they studied segmental information when analysing the performance of a company, and if so, what the most useful segmental items were for their decision making needs (see Chapter 7 for the interviews findings).

Since IFRS 8 is a relatively recent standard and only became effective in 2009, a two-page summary of the contents of the standard was prepared by the interviewer in order to provide an overview of IFRS 8 and highlight its main differences from IAS 14R. Two further pages were supplied about the qualitative characteristics of financial statements by the researcher in Arabic (see Appendix 2.4 for an English version of these documents). These documents were provided in order to supply the interviewees with background details about this new standard. These materials were mainly examined by users of financial statements as the majority of other two groups were very knowledgeable about the subject of this research.

5.5.2 Sample Selection and Method

In order to determine which participants to interview, a number of criteria were employed. First, interviewees had to act as either an external auditor, a preparer of financial statements for a Jordanian listed company, or a user of financial statements. Second, the external auditors had to have clients listed on ASE. Third, the preparers had to work at a Jordanian listed company either in a chief or head of department position at a listed company (i.e. CFO, CEO, or Head of Accounting Department). Finally, the analyst user had to be either a broker or investment officer, while the investor user had to own a portfolio of equities in ASE-listed companies.

The capital city of Jordan (Amman) was the location where most of interviews were conducted. The ASE, the headquarters of the JSC and a bank complex are located in the Gamal Abdel Al-Naser district of Amman. Interviews with analysts and investors were conducted at the main hall of the securities exchange located in the bank complex. Meetings with the external auditors[98] and preparers were conducted at their corporate headquarters in Amman. Interviews were also conducted at two other cities: Irbid and Mafraq. Within these two cities, interviews with external auditors took place at their own business headquarters, while meetings with users were conducted at their own home; none of the preparers were interviewed outside of Amman. Initially, the researcher had planned to conduct interviews with 10 external auditors, 10 preparers and 15 users[99]. Two months before conducting the interviews,

[98] Interviews with the big four audit firms are held in Amman only because most corporate and financial activities in the Kingdom are located there.

[99] Some external auditors (5) and preparers (4) were personal contacts and former colleagues of the researcher during his undergraduate students in Accounting at Irbid National University and were now working in the accounting profession or industry or as external auditors. These agreed to participate in the research following a brief e-mail. The other participants were not known personally to the researcher but where contacts of acquaintances or (in a very few cases) responded to a ‘cold-call’ request.

the researcher sent an e-mail to each external auditor and preparer asking for an appointment. However, Jordan is not an open society; thus, Jordanian business people are not familiar with the notion of interviews by academics or research students (Shoup, 2007). In this regard, the actual number of interviewees for external auditors and preparers was less than originally planned. By contrast, the researcher had no difficulties in arranging interviews with the 15 users that had originally been planned. Thus, in total, 31 interviews were conducted with 9 external auditors, 7 preparers that responded to the e-mail and agreed to participate in the research and 15 users. Table 5.4 reports on the location of the interviews. Not surprisingly, most took place in Amman as most corporate and financial activities in the Kingdom are located there. The researcher therefore had to travel to Amman and the other research cities within the period available to conduct interviews[100]. Section two of Chapter 7 outlines the procedure used when conducting the interviews, and provides a brief background about the interviewees that participated in the current study.

Table 5.4 The Location of The Interviewees

Group / City	**Amman**	**Irbid**	**Mafraq**	**Total**
External Auditors	7	2	0	**9**
Preparers	7	0	0	**7**
Analysts	5	0	1	**6**
Investors	6	1	2	**9**
Total	**25**	**3**	**3**	**31**

Note: This table shows the location of the interviewees in Jordan for the current study.

Arabic is the formal language of business in Jordan; thus interviews were conducted in Arabic. This ensured that the interviewees were put at their ease and understood the questions being asked. It was thought that such an approach would

[100] The researcher lives in Irbid, so he travelled to Amman and Mafraq within the period available from 22nd of July to 27th of August, 2010.

improve the data collection process. Since a majority of the interviews were recorded (except one interview), interviews were fully transcribed into Arabic. Then, relevant answers were translated into English; an attempt was made to ensure that quotations were accurate and reflected the perceptions and experiences of interviewees about IFRS 8. To achieve this level of accuracy, the researcher listened three times to each interview to extract significant responses about IFRS 8.

5.6 Conclusions

This chapter has detailed the research assumptions, methodology and methods used. Burrell and Morgan's (1979) framework was adopted to explain the current research philosophy being employed; the combination of a realism ontology, a positivist epistemology, a deterministic standpoint on human nature and a nomothetic methodology led the researcher to adopt the functionalist paradigm; an interpretive perspective was used for participant's views in order to achieve the research objectives of this dissertation.

The chapter then explained how the study adopts a mix of research methods for triangulation of data collection: namely, a disclosure index and interviews; a description of these methods was outlined in this chapter. Suwaidan et al. (2007) employed the disclosure index method to investigate the segmental disclosure practices of Jordanian listed companies under IFRS 8; thus, no attempt has been made in previous Jordanian investigations to assess the perceptions and experiences of external auditors, preparers and users of financial statements about IFRS 8's contents and its usefulness. Specifically, the current study employed the interview research method because of the dearth of prior work on the impact of this standard and on the disclosure of segmental information in Jordan. Moreover, it is believed that interviews are the appropriate research instrument to investigate in-depth the phenomena that are being addressed (Bernard, 2000; May, 2001; Robson, 2002) and to address any issues that arise in the disclosure index findings. The current research methods were employed to gather empirical evidence about the impact of the new segmental standard on the disclosure practices of Jordanian listed companies as well as to explore the perceptions of external auditor, preparers and users (investors and analysts) of financial statements about IFRS 8; within the context of decision usefulness theory. The next chapter reports the findings for the disclosure index method, while Chapter 7 discusses the results from the interviews.

Chapter 6

Jordanian Companies' Segmental Information: A Comparison of IAS 14R and IFRS 8 Disclosures

6.1 Introduction

This chapter presents the findings from an analysis of segmental disclosures in Jordanian companies' annual reports before and after the introduction of IFRS 8. The analysis is performed using a disclosure index, as described in Chapter 5; this index investigates the level of segmental information disclosed in the financial statements of Jordanian companies in 2008 and 2009. The disclosure index was calculated by constructing spreadsheets of segmental disclosures and scoring the contents using three classifications: whether segmental information was provided (given a value of 1); whether segmental information was not disclosed (awarded a value of 0); and whether the information was not applicable (a value of N/A) if no information was available because the segmental item was not relevant for a particular company in that year (i.e. no inter-segment sales were recorded). Moreover, this spreadsheet was also useful for collating details about the number of segments employed and the identity of any segments disclosed. Further, the spreadsheet was used to collect narrative disclosures which contained management's views about the anticipated impact of IFRS 8 in the 2008 annual reports and the actual impact of IFRS 8 in the 2009 financial statements. In addition, details about the identity of the CODM from the 2009 accounts of the sample companies were also input into the spreadsheet. Mean and median descriptive statistics, Chi-Squared tests and Wilcoxon Signed Rank tests were then calculated for the segmental information provided[101]. In summary, spreadsheets were used to capture individual company information relating to: (i) number and type of segments disclosed (ii) number of items disclosed per segment and (iii) narrative disclosures relating to the identity of the CODM, and the

[101] The sampled companies had the same year end date, since all Jordanian listed companies have a financial year that ends on 31st of December as required by JSC Securities Law (JSC, 2002).

management perspectives about IFRS 8 (see section 5.4 in Chapter 5 for more details).

The next section of this chapter compares the definition of segments for 2008 (IAS 14R) and 2009 (IFRS 8). Section 6.3 summarises the segmental information disclosed for 2008 (IAS 14R). Section 6.4 evaluates whether the implementation of IFRS 8 impacted on the quantity and type of segmental information disclosed in Jordanian companies' annual reports. Section 6.5 investigates the identity of the CODM provided in 2009 under IFRS 8, and examines management narrative disclosures about IFRS 8 before and after the introduction of this new standard. The final section summarises the findings from the analysis.

6.2 Definition of Segments Disclosed Under IAS 14R (2008) and IFRS 8 (2009)

This section aims to assess the definition of segments disclosed for Jordanian listed firms under IAS 14R and IFRS 8 in their annual reports for 2008 and 2009 respectively. In particular, the empirical investigation in this section of the chapter compares the definition of segment disclosed in annual reports for a sample of first-market companies in 2008 prepared under IAS 14R with the annual reports for the same sample in 2009 prepared under IFRS 8.

IAS 14R required reportable segments to be defined according to the two-tier approach (Street and Nichols, 2002). Companies were required to select either their business class or geographic activities as their primary segments; the segment type not selected as the primary segment was used to identify the secondary segment. In other words, if an entity reported its primary segment data for business activities, then it would have to report geographic information as the secondary segment categorisation data unless the secondary segment did not exist (i.e. there was only one geographic region) (IASC, 1997). By contrast, IFRS 8 requires segments to be identified in accordance with the management approach. Companies define operating segments on the basis of internal reports that are reviewed by the entity's CODM (IASB, 2006a); there is no distinction between primary and secondary segments under IFRS 8, only operating segments.

For this study, the sample of Jordanian companies was categorised into three groups: (i) companies that did not disclose any segmental information and for whom the disclosure index had a value of zero ("NS" companies hereafter); (ii) companies that did disclose segmental information and had a non-zero disclosure index value but which did not identify segments (as primary / secondary or operating / entity-wide) as required under the effective standard ("UD" companies hereafter); and (iii) companies that disclosed segmental information and had a disclosure index value greater than zero, and identified the segments (as primary / secondary under IAS 14R or operating / entity-wide under IFRS8) according to the effective standard ("DF" companies hereafter). Specifically, the distinction between the DF and UD categories was employed to distinguish between the companies that complied fully or partially with the relevant standard (IAS 14R and IFRS 8 respectively) in terms of segment identification. This categorisation was based on whether a company had a segmental information note in their annual reports and whether any segmental information provided in the note to the annual report distinguished (i) between primary and secondary segments under IAS 14R and (ii) between operating and entity-wide disclosures under IFRS 8. The number of sample companies for each of these three categories ((i) NS, (ii) UD, and (iii) DF) is detailed in Table 6.1. Panel A of this table provides a summary of the number of companies for each category in the sample for 2008 (IAS 14R) while Panel B displays similar information for 2009 (IFRS 8). Each panel in this table has eight columns. The first lists the sector to which the company belongs. The next six columns provide the absolute numbers and percentages for each of the three categories: NS, UD and DF. The final column shows the total number of companies from the sample in each of the three sectors: financial, services and industrial.

Table 6.1 Company Sectors and Segmental Disclosure Category for 2008 and 2009								
Panel A: 2008 (IAS 14R)								
Company Sector		**NS**		**UD**		**DF**		**Total**
		No.	**%**	**No.**	**%**	**No.**	**%**	**No.**
Financial	Banks	0	0.0	0	0.0	14	100	14
	Financial Services	24	66.7	6	16.7	6	16.7	36
Services		13	52.0	4	16.0	8	32.0	25
Industrial		15	44.1	11	32.4	8	23.5	34
Total		**52**	**47.7**	**21**	**19.3**	**36**	**33.0**	**109**
Panel B: 2009 (IFRS 8)								
Company Sector		**NS**		**UD**		**DF**		**Total**
		No.	**%**	**No.**	**%**	**No.**	**%**	**No.**
Financial	Banks	0	0.0	0	0.0	14	100	14
	Financial Services	18	50.0	9	25.0	9	25.0	36
Services		14	56.0	0	0.0	11	44.0	25
Industrial		10	29.4	11	32.4	13	38.2	34
Total		**42**	**38.5**	**20**	**18.3**	**47**	**43.1**	**109**

Note: This table shows sample details for different segmental disclosure categories. NS refers to firms with no segmental information provided. UD refers to firms which disclosed segmental information without categorising the segments as either primary or secondary as required under IAS 14R for 2008 or as operating segments as required under IFRS 8 for 2009. DF refers to firms which disclosed segmental information and identified segments as either primary or secondary under IAS 14R for 2008 or as operating segments under IFRS 8 for 2009. Thirteen companies disclosed segmental information in 2009 but not in 2008; 9 out of 13 companies are in the DF category while 4 are in the UD group. Three services companies that disclose segmental information in 2008, provided no segmental information in 2009; 2 out of 3 were UD companies in 2008 and 1 company was categorised under DF in 2008. Three services companies which were in UD category in 2008 changed to the DF category in 2009. The Chi-Squared test shows that the proportions in each category are different across the sectors (p-value < 0.0005); specifically, the financial banking sector is significantly different from other sectors.

As inspection of Table 6.1, Panel A reveals that only one-third of the sample companies defined their segments in accordance with the IAS 14R approach in 2008 (DF category); some 21 companies (19.3%) were in the UD category while a further 52 (47.7%) provided no segmental information whatsoever in their financial statements for that year. A more detailed analysis of the table reveals that the number of companies complying with IAS 14R were not equally distributed across the different sectors. All the banks in the sample (14 banks) complied fully with the standard in relation to identifying primary and secondary segments. However, only 8 (32%) of the service sector companies were in the DF category. Indeed, a majority of the financial services firms (66.7%) and service companies (52.0%) were in the NS category suggesting that more than half of the firms in these industries classified themselves as single-activity entities which only operated in one geographic region. The highest number (and percentage) of firms in the UD category operated in the industrial sector; some 11 (33%) of industrial companies were allocated to this group. There is no obvious reason why industrial companies should have published disaggregated information as mandated by IAS 14R and not identified the business activity or geographic disclosures as either their primary or secondary segmental data. Perhaps, the firms in this sector followed a reporting format produced by an industry leader which adopted such an approach. Interestingly, nine out of 11 of these companies were audited by the same audit firm which did not pick up on this "error"[102]. Whatever the reason, this "anomaly" existed in 2008 and further analysis of Table 6.1 shows a continuation of this anomaly under IFRS 8.

One of the most striking findings to emerge from Panel B of Table 6.1 is that after the introduction of IFRS 8 the number of companies identifying operating segments increased to 47 compared with only 36 identifying primary and secondary segments under IAS 14R. In 2009 a finding behind Table 6.1, this DF group disclosed disaggregated information for business operating segments; 10 of these companies defined their operating segments on a geographic basis, whilst 37 companies defined

[102] 9 out of 11 companies audited by the same firm, private owned auditing company which not included in the big four auditing firms.

these segments on the basis of entity-wide disclosures[103]. None of the companies in the DF category disclosed entity-wide, business-related information.

In 2009, 47 companies (43%) identified their segments in accordance with the management approach under IFRS 8; however, a sizeable minority of 42 companies (38.5%) did not disclose any segmental information. Again, the distribution of companies varied according to the sector to which they belonged. Only 9 (25%) of financial services sector companies were in the DF category, while all banks complied fully with IFRS 8's approach to identifying segments. In fact, most of the increase in the compliance with accounting requirements for identifying segments came from companies in the financial services and industrial sectors since the numbers in the NS categories for these sectors fell by 15%. However, a sizeable minority in these sectors did not comply with identifying segments approach under IFRS 8; 9 (25%) financial services companies and 11 (32%) industrial companies were classified in the UD group for 2009. In fact, there were no bank or service firms in this UD group once IFRS 8 was implemented[104].

In summary, more than half (67 or 61.4%) of the Jordanian companies in the sample provided some segmental information under IFRS 8 compared to 57 (or 52.3%) under IAS 14R; thus, the number of companies that disclosed some segmental information increased by 10 under IFRS 8. A number of Jordanian first market companies changed their disclosure practice for segmental information in 2009. For

[103] The 10 companies classified in the DF group that identified their operating segments on the basis of geographic segmental information were JOKB, JOIB, THBK, INMA, JOIT, JRCD, AMWL, JOCM, WIRE and JOPC. Thus, for comparison purposes in this study, geographic information provided for all companies were specified as geographic segments disclosed.

[104] The Chi-Squared test shows that there are differences between sectors in 2008 ($\chi 2 = 38.432$, p-value < 0.0005) and 2009 ($\chi 2 = 34.433$, p-value < 0.0005). Specifically, most of the difference relates to the Financial sector especially for banking where disclosure increases were different from others.

example, 13 companies disclosed additional segmental information in 2009; nine out of these companies identified their operating segments as required under IFRS 8 and thus were included in the DF category. The other four companies joined the UD group. Six of the financial services firms disclosed segmental information in 2009 but not in 2008; these were split between the DF and UD groups; five industrial companies disclosed segmental information for the first time in 2009, and four of these were in DF group while one company was in the UD category. In the services sector, three companies disclosed segmental information in 2008 but not in 2009, whilst three other companies provided details about operating segments and moved from the UD group in 2008 to the DF group 2009.

Table 6.2 shows a matrix of these changes. From this table, it is apparent that a total of 70 Jordanian companies disclosed some segmental information and were classified in the DF or UD groups in 2008 and/or 2009. In particular, 39 out of 109 sampled companies did not disclose any segmental information in either 2008 or 2009. From the diagonal of Table 6.2, it is clear that 16 companies remained in the UD grouping while 35 companies which had complied with IAS 14R's approach to identifying segments continued to publish segmental information for operating segments under IFRS 8. Below this diagonal, some interesting cases emerge. For example, one company (JOEP) which had disclosed segmental information under IAS 14R published no segmental data when IFRS 8 became effective. Two companies in the UD group (MERM and NAQL) under IAS 14R adopted a similar strategy of "no segmental disclosure" when IFRS 8 was introduced; these companies' activities seem to suggest either that their CODM does not view any disaggregated information or that they are taking the opportunity offered by IFRS 8 to cut back on the segmental information that they publish.

Table 6.2 Number of Companies in Different Segment Groups for 2008 and 2009				
	IFRS 8 (2009)			
IAS 14R (2008)		**NS**	**UD**	**DF**
	NS	39	4	9
	UD	2	16	3
	DF	1	0	35
Total		**42**	**20**	**47**

Note: This table shows the companies grouped into NS, UD and DF for 2008 (under IAS 14R) and 2009 (under IFRS 8).

Although three companies are below the diagonal in Table 6.2, 16 firms are above the diagonal suggesting that they increased their segmental disclosures when IFRS 8 was introduced. Perhaps the publicity accorded to the new standard in the financial press (JSC, 2009) may have put pressure on these firms to increase their segmental disclosures. Alternatively, the emphasis on this topic caused by the adoption of a new standard may have caused the financial statement preparers to re-evaluate their disclosure practices. In addition, auditors may have encouraged the firms to provide more segmental information in order to avoid a qualified report. Despite these possibilities, it is surprising that four of the 16 firms that increased segmental disclosures are in the UD column; they have not complied fully with IFRS 8's management approach.

For the remainder of the analysis, only 70 Jordanian companies were investigated since they disclosed segmental information in 2008 and/or 2009; the 39 companies that did not provide segmental information in both 2008 and 2009 were dropped from the analysis.

6.3 Segmental Information Disclosed Under IAS 14R (2008)

This section summarises the segmental information disclosed under IAS 14R for 2008. A total of 70 Jordanian companies disclosed some segmental information and were classified in the DF or UD groups in 2008 and/or 2009. In particular, 39 out of 109 sampled companies did not disclose any segmental information in either 2008 (IAS 14R) or 2009 (IFRS 8) (see Table 6.1), and were dropped for analytical purposes in this section and the next section.

In 2008 under IAS 14R, all companies in the DF group identified their business classes as their primary segments and the geographic disclosures as their secondary segments. This result is similar to the findings of Talha et al. (2007) and Suwaidan et al. (2007); emerging market companies in their studies that reported using geographic information as their primary segments could place a company at a competitive disadvantage. Therefore, Jordanian companies may have chosen their primary segments for the same reason and identified their geographic disclosures as secondary segments in order to reduce the possibility that their competitors might benefit from any segmental information published. Alternatively, the products produced or services provided may have been better described by business classes when analysed on risk and reward basis (as required by IAS 14R).

In total, 170 business class segments and 107 geographic segments were used by the 70 companies. According to Panel A of Table 6.3, the mean (median) number of business class segments disclosed was 2.4 (2.0) per firm in 2008, and for geographic segments was 1.5 (1.0) per firm (Table 6.4, Panel A). Data for the distribution of the number of segments reported reveals that most companies had 2 to 3 business segments (Table 6.3, Panel B), but only one or two geographic segments in 2008 (Table 6.4, Panel B).

However, every company did not fully comply with IAS 14R in 2008; not all of the required segmental items that were mandated by this standard were published by the sample of 70 firms that provided segmental information. From Panel A of Table 6.5, the mean (median) number of items was only 6.4 (6.0) out of a possible 16 items specified in the standard[105]. No single item was provided by all firms. However, a number of individual items were disclosed for business activities across a sizeable number of firms: external revenue (72.9%), profit (47.4%), assets (52.9%), liabilities (50%) and depreciation and amortisation (40%) items. Further, external revenue information was published by 70% of the 70 companies for geographic segments. In addition, details about type of products/services of business classes were published for 70% of the 70 firms. On the other hand, the level of compliance was poor for other items specifically, other non-cash expenses (15.7%) for business segments and capital expenditure (24.3%) for geographic segments (Table 6.5, Panel B).

Furthermore, the distribution of items disclosed varied widely among the sample firms. Thirteen companies disclosed zero items while one firm published the

[105] Taking into consideration that total possible disclosure for internal revenue, basis of inter-segment pricing and equity method income items may differ from firm to firm.

maximum of 16 items; the companies with zero disclosures did not issue segmental information in 2008, but started to publish such data in 2009 (Table, 6.6). Finally, an analysis of the geographic areas disclosed under IAS 14R revealed that almost all companies disclosed data for “Jordan” or “inside Jordan”; the two exceptions are one service company (RJAL) and one industrial company (JOPH). Moreover, 22 companies used “outside Jordan” as a geographic area with no further disaggregation or information about specific locations. All the bank companies employed this fairly broad level of disclosure. One reason for not providing more disaggregate geographic details could have been worry about competitive disadvantage (Edwards and Smith, 1996; Herrmann and Thomas, 2000b; Street et al., 2000; Ettredge et al., 2002; Ettredge et al., 2005; Botosan and Stanford, 2005; Tsakumis et al., 2006; Talha et al., 2006). Other geographic areas were disclosed by a small minority of firms; some provided data by continents, regions and individual countries; nonetheless, the numbers using these geographic categories were not large (Table 6.7).

6.4 The Impact of IFRS 8 (2009)

Jordanian companies applied IFRS 8 in 2009 on its effective date; none of the sample companies adopted the standard early. This finding contrasts with the UK result of Crawford et al. (2010b) which found that a sizeable minority of the sampled companies adopting IFRS 8 before January 2009; these authors documented that 16 out of 62 sampled UK companies adopted IFRS 8 early.

Jordanian companies did signal to investors in their 2008 financial statements that IFRS 8 was going to be used for segmental disclosures in the future. For instance, in the 2008 accounts, management of HPIC argued that:

> "At the date of authorization of these financial statements, the following standards and interpretations were in issue but not yet effective [IFRS 8]. Management of the Bank (Company or Group) anticipates that each of the above standards and interpretations will be adopted in the preparation of the financial statements by their effective dates mentioned above [01 January 2009]" [sic] (p. 23).

Thus, they did alert users to the fact that the financial statements for 2009 will be prepared on the basis of IFRS 8 requirements. However, as Table 6.2 indicates only 47 companies actually prepared their financial statements in accordance with the IFRS 8 approach in 2009.

The objective for this section of Chapter 6 is to assess the extent to which Jordanian listed firms complied with the requirements of IAS 14R and IFRS 8 in their annual reports for 2008 and 2009 respectively. Specifically, the empirical investigation in this section compares the annual reports for a sample of first-market companies in 2008 prepared under IAS 14R with the annual reports for the same sample in 2009 prepared under IFRS 8; a disclosure index approach was used and the final sample included 109 first market companies. A disclosure index scoring spreadsheet was constructed to assess the segmental information provided by the sample firms. In particular, it highlighted the segmental information disclosed by Jordanian companies, the number of segments employed, the segmental items reported based on IAS 14R requirements and the geographic segment definitions included (see Section 5.4 in Chapter 5 for more details). The disclosure index was based on IAS 14R required disclosures and this was used to identify any change in disclosures from compliance with IAS 14R to compliance with IFRS 8. The disclosure index also captured voluntary disclosures relating to segmental information over and above the mandatory requirements of IAS 14R.

For comparison purposes, 70 Jordanian companies were included in the sample since they disclosed segmental information in 2008 and/or 2009, and the 39 companies that did not provide segmental information in both 2008 and 2009 were dropped from this analysis. One reason for this sample selection procedure was to ensure that an accurate assessment of the impact of IFRS 8 on the Jordanian listed companies' activities and disclosure practices could be made; rather than focusing on the DF group of companies that disclosed segmental information in both 2008 and 2009, the larger sample were studied. The analysis in this section compares the results for these companies under IFRS 8 against the findings for the same firms under IAS 14R that were reported in Section 5.3.

6.4.1 Number of Segments Disclosed

The number of business segments under IFRS 8 is not significantly different compared to that under IAS 14R; there was slightly more disaggregation of reportable segments under IFRS 8. According to Table 6.3, information for 187 business segments was disclosed in 2009 compared to data for 170 business segments in 2008. Panel A of this table shows that the mean (median) number of business classes disclosed under IFRS 8 was 2.7 (2.0) per firm compared to 2.4 (2.0) per firm under IAS 14R. This finding is in line with the results from Crawford et al. (2010b) who found that the introduction of IFRS 8 was associated with an increase in the number of business segments for which information was published[106]. According to Table 6.3, the median number of business class segments remained the same for the Jordanian companies in the current research suggesting that the higher mean under IFRS 8 was

[106] The mean number of business class segments for UK companies in Crawford et al. (2010b) was 4.28 under IFRS 8 compared to 3.91 under IAS 14R.

possibly due to a large increase by a small number of firms. This conjecture is confirmed by an analysis of the results in Panel B of this table. According to Panel B, there was an increase in firms reporting data for 1, 2, 4 and 5 business segments under IFRS 8. In addition, there was a sizeable drop (from 13 to 3) in the number of firms publishing information for zero business segments. The combination of these two changes resulted in the increase in the mean values. However, Panel C confirms that the change in the mean in Panel A arose from additional disclosures by a minority of firms following the adoption IFRS 8; the results indicate that 18 firms in the sample increased the number of business class segments for which information was provided; nine firms actually reduced the number of segments for which information was reported and 43 firms employed the same number of segments in both 2008 and 2009[107].

[107] A Wilcoxon Signed Rank test shows that the difference in the number of business segments disclosed was significant at the 10% level (p-value 0.077).

Table 6.3 Number of Business Segments Reported for 2008 and 2009 for the Same Firm		
Panel A: Average Number of Business Segments Disclosed		
	2008 (IAS 14R)	**2009 (IFRS 8)**
Total of Segments	170	187
Mean	2.4	2.7
Median	2.0	2.0
Panel B: Distribution of the Number of Business Segments Disclosed		
No. of Business Segments	**2008 (IAS 14R)**	**2009 (IFRS 8)**
Zero	13	3
One	4	8
Two	19	26
Three	17	14
Four	10	11
Five	5	7
Six	2	1
Total	**70**	**70**
Panel C: Change in Number of Business Segments Disclosed		
Number of companies which increased the business segments disclosed		18
Number of companies which decreased the business segments disclosed		9
Number of companies which no change the business segments disclosed		43
Total		**70**

Note: This table shows descriptive information about the number of business segments reported by the sample of 70 Jordanian companies in 2008 and/or 2009. Information for 170 business segments was disclosed in 2008, and while details for 187 business operating segments were disclosed in 2009. The differences from 2008 to 2009 were significant at the 10% level.

Geographic segmental information is not mandated under IFRS 8, although entity-wide disclosures (EWDs) about geographic areas is required if the necessary information is available. Despite this relaxation in the requirements to supply geographic segmental information, Table 6.4 shows that the number of geographic segments and entity-wide disclosures actually increased to 127 under IFRS 8 compared with 107 under IAS 14R. Panel A of this table highlights that the mean (median) number of geographic segments / EWDs for which information was disclosed under IFRS 8 rose to 1.8 (1.0) from 1.5 (1.0)[108]. Crawford et al (2010b) documented a similar result for their UK sample 65 firms; the mean for their UK companies was 4.40 under IFRS 8 compared to 3.89 under IAS 14R. For the current study, the reason for this increase in the mean is apparent from Panel B of the table. According to this Panel, the number of firms providing data for 1, 3 and 6 distinct geographic segments / EWDs under IFRS 8 increased. Also, the 13 firms which did not disclose any geographic segmental information in 2008, published such information in 2009.

[108] A Wilcoxon Signed Rank test revealed that difference in the number of geographic segments disclosed was significant at the 10% level (p-value 0.083). Most of this difference related to companies in the financial sector (p-value 0.023).

Table 6.4 Number of Geographic Segments and Entity-Wide Disclosures (EWDs) Reported for 2008 and 2009 for the Same Firm		
Panel A: Average Number of Geographic Segments Disclosed		
	2008 (IAS 14R)	**2009 (IFRS 8)**
Total of Segments / EWDs	107	127
Mean	1.5	1.8
Median	1.0	1.0
Panel B: Distribution of the Number of Geographic Segments / EWDs Disclosed		
No. of Geographic Segments / EWDs	**2008 (IAS 14R)**	**2009 (IFRS 8)**
Zero	13	3
One	25	33
Two	26	24
Three	0	4
Four	2	1
Five	3	1
Six	0	3
Seven	1	1
Total	**70**	**70**
Panel C: Change in Number of Geographic Segments / EWDs Disclosed		
Number of companies which increased the geographic segments / EWDs disclosed		24
Number of companies which decreased the geographic segments / EWDs disclosed		6
Number of companies which no change the geographic segments / EWDs disclosed		40
Total		**70**

Note: This table illustrated descriptive information about the number of geographic segments entity-wide reported by the sample of 70 Jordanian companies in 2008 and/or 2009. Information for 107 geographic segments was disclosed in 2008, and details for 127 geographic operating segments and entity-wide disclosures were disclosed in 2009. The differences from 2008 to 2009 were significant at the 10% level.

In fact the number of companies increasing their geographic segment / EWDs information was even higher than those increasing their business class disclosure under IFRS 8. Panel C of Table 6.4 shows that 24 companies disclosed details about more geographic segments / EWDs in 2009, while only six companies reduced the number of geographic segments / EWDs for which information was supplied; 40 companies highlighted the same number of geographic segments in both 2008 and 2009. For instance, a bank (JONB) reported two geographic segments as secondary segments in 2008, but disclosed information about four geographic segments as EWDs in 2009. Moreover, an industrial company (DADI) reported on four geographic segments as secondary segments in 2008, but increased this to six geographic segments as entity-wide disclosures under IFRS 8. These results provide some evidence that the requirements to provide EWDs under IFRS 8 may have resulted in an increase in the geographic information supplied, even though this geographic segmental information was not explicitly mandated in the new standard.

The six Jordanian companies that reduced the number of segments about which they disclosed geographic information are an interesting group of firms: (i) INMA and UAIC from the financial services sector (ii) JOCM from the industrial sector and (iii) MERM, NAQL and JOEP from the services sector. These three service companies did disclose segmental information in 2008 under IAS 14R, but did not disclose segmental information in 2009 under IFRS 8. For example, JOCM in their annual report for 2009 argued that in the last quarter of 2009 new companies entered the mining & extraction industry, and this negatively affected their performance; this reduction in JOCM’s geographic disclosures was one possible response to the competitive disadvantage which the firm believed that it faced. Because of the financial crisis, the two financial services companies witnessed a reduction in their total assets and thus, a decrease in their total activities; in response to this reduction, they only disclosed data for “Jordan” or “inside Jordan” geographic segments in 2009 compared to information for Free Zones and Aqaba regions in 2008.

6.4.2 Items Reported For Each Segment

Although, a majority of the sample companies did not change the number of business and geographic segments disclosed in 2009, there is evidence in Table 6.5 that the detailed items of information provided for each segment actually rose; companies tended to increase the fineness of segment disclosures following the adoption of the new standard. For example, IAS 14R required the disclosure of external revenue, internal revenue, profit, assets, the basis of inter-segment pricing, liabilities, capital expenditures, depreciation and amortisation, other non-cash expenses, the profit of joint ventures, and a reconciliation to consolidated accounts for primary segment items as well as a smaller number of items for secondary segments (external revenue, assets and capital expenditures). In addition, it specified that companies should disclose the type of products or services provided by business classes and the composition of geographic segments (IASC, 1997). These other disclosures were also mandated by the Jordanian regulators (JSC, Instructions of Issuing Companies Disclosure, Accounting and Auditing Standards for the Year 2004, Article 4-B).

By contrast, IFRS 8 only requires, for each operating segment, that the basis of measurement for profit and total assets (as well as liabilities if regularly reviewed by the CODM) and reconciliations to the consolidated accounts be disclosed. Moreover, external revenue, internal revenue, interest revenue, interest expense, depreciation and amortisations, profits of associates and joint ventures, income tax expense and other non-cash expenses should be disclosed if these items were regularly reviewed by the CODM. In addition to operating segment information, IFRS 8 also requires entity-wide disclosures for: product or service, geographical areas and information about major clients. This entity-wide information should be disclosed if it is available and if it is judged to be material. It also specifies that those factors used to identify the entity's reportable segments and the types of products and services should be classified as general information (Table 3.3 in Chapter 3 shows the required disclosures under IAS 14R and IFRS 8 in detail). Hence, the firm's CODM plays a significant role in determining the segmental information to be disclosed for a particular financial year under IFRS 8 (Herrmann and Thomas, 2000b; Ettredge et al., 2002; Ettredge et al., 2005). Specifically, IAS 14R required the entity to disclose specified items of information about its primary and secondary segments. IFRS 8 requires an entity to disclose specified amounts about each reportable segment (see Table 3.3); however, for IFRS 8, the disclosures are only mandatory if the specified items are included in the internal reports and are reviewed by, and provided to, the CODM.

Table 6.5 Segmental Items Disclosed for 2008 and 2009 Based on IAS 14R Requirements						
Panel A: Average Number of Segmental Items Disclosed						
	2008 (IAS 14R)			**2009 (IFRS 8)**		
Mean	6.4			10.4		
Median	6.0			10.0		
Panel B: Average Disclosure Index Score for Segmental Items Disclosed (percentage)						
	2008 (IAS 14R)			**2009 (IFRS 8)**		
Mean	18.6			30.6		
Median	17.7			29.0		
Panel C: Segmental Items Disclosed (percentage)						
	2008			**2009**		
Requirements (IAS 14R)	**Business**	**Geographic**	**Other**	**Business**	**Geographic**	**Other**
Revenue (external)	72.9	70.0	-	85.7	92.9	-
Revenue (internal) (BS)	55.6	N/R	-	55.6	N/R	-
Profit (BS)	47.4	N/R	-	68.6	N/R	-
Assets	52.9	37.1	-	81.4	80.0	-
Basis of inter-segment pricing (BS)	44.4	N/R	-	44.4	N/R	-
Liabilities (BS)	50.0	N/R	-	77.1	N/R	-
Capital expenditures	35.7	24.3	-	35.7	21.4	-
Depreciation & amortisation (BS)	40.0	N/R	-	57.1	N/R	-
Other non-cash expenses (BS)	15.7	N/R	-	14.3	N/R	-
Profit from associates and joint ventures (BS)	31.7	N/R	-	43.9	N/R	-
Reconciliation to consolidated accounts (BS)	28.6	N/R	-	25.7	N/R	-
Type of products/services of Business Classes	-	-	70.0	-	-	88.6
Composition of Geographic Segments	-	-	54.3	-	-	65.7
Voluntary (added items)						
Profit for (OGS)	-	0.0	-	-	8.6	-
Liabilities (OGS)	-	5.4	-	-	8.6	-
Depreciation & amortisation (OGS)	-	0.0	-	-	7.1	-
Other non-cash expenses (OGS)	-	0.0	-	-	1.4	-
Reconciliation to consolidated accounts (OGS)	-	0.0	-	-	2.8	-
Revenue (internal) (OGS)	-	0.0	-	-	0.0	-
Basis of inter-segment pricing (OGS)	-	0.0	-	-	0.0	-
Profit from associates and joint ventures (OGS)	-	0.0	-	-	2.8	-
Net cash flow	1.4	-	-	1.4	-	-
Reserves	1.4	-	-	1.4	-	-
Basis of measurement	0.0	0.0	-	61.4	12.9	-
Interest revenue	0.0	0.0	-	10.0	4.2	-
Interest expense	0.0	0.0	-	7.1	2.8	-
Income tax expense	0.0	0.0	-	28.6	7.1	-
Direct administrative expenses	0.0	-	-	4.2	-	-
Investments	0.0	-	-	1.4	-	-
Intangible assets	0.0	-	-	1.4	-	-
Factors used to identify the entity's segments	-	-	0.0	-	-	28.6
Entity-wide (major customers)	-	-	0.0	-	-	54.3
Entity-wide (products and services)	-	-	0.0	-	-	0.0

Note: For 2009 geographic items included operating segments and entity-wide disclosures. For comparison purposes, the list of items in 2009 is based on IAS 14R requirements; as a result, the entity-wide revenue and assets disclosures were divided into two as "revenue (external)" and "assets" items. Total possible disclosure for internal revenue and the basis of inter-segment pricing items was only 9 out of the 70 companies in the sample. Total possible disclosure for the profit from associates and joint ventures item was only 41 out of 70 companies. N/R refers to not required, BS refers to business segments and OGS refers to operating geographic segments. The differences from 2008 to 2009 were significant at the 5% level.

The mean (median) number of items disclosed for each type of segment increased under IFRS 8 to 10.4 (10.0) under IFRS 8 from 6.4 (6.0) under IAS 14R (see Panel A of Table 6.5). Panel B reveals that the mean (median) disclosure index total score for all segmental items was 30.6% (29.0%) under IFRS 8 compared to 18.6% (17.7%) under IAS 14R; this increase was spread across a wide variety of items[109]. Panel C shows the percentage of companies which disclosed individual items as a percentage of the total number of firms in the sample[110].

A number of points emerge from an inspection of this table. First, the introduction of IFRS 8 lead to sizeable increases in the percentage of firms disclosing information about business classes which had been required under IAS 14R. For Profit, Assets and Liabilities, the increases were 21.2%, 28.5% and 27.1% respectively. In fact, over 75% of the sample disclosed details of Revenue, Assets and Liabilities for operating segments (based on business classes) under IFRS 8; no item had been disclosed by such a high percentage of the sample firms under IAS 14R. Second, for two items (Other non-cash expenses and Reconciliation to consolidated accounts) the percentage of firms supplying information fell under IFRS 8. In both instances, the percentages had been low under IAS 14R and fell slightly (-1.4% and -2.9%) when the new standard was introduced. One possible explanation for this decline is that such information was not viewed by the CODM for business class segments. In addition, the low level of compliance with requirements to disclose these

[109] A Wilcoxon Signed Rank test shows that the difference in the number of segmental items disclosed was significant at the 5% level (p-value < 0.0005). Most of this significant difference related to firms in the financial and industrial sectors (p-value 0.002 and 0.001 respectively).

[110] The list in Panel C of Table 6.5 is in a slightly different order from the list in Figure 5.5 to aid the display of the results. In particular, the list in Panel C of Table 6.5 has two headings: first, the requirements of IAS 14R and second, the requirements of IFRS 8 if reviewed by the CODM and voluntary segmental items from Figure 5.5.

two items under IAS 14R may suggest that such information was not thought to be relevant to reporting segment performance.

Third, there was an increase in firms making non-mandated disclosures for business class segments under IFRS 8. Such a finding is not surprising since the new standard was less prescriptive about the items that companies had to disclose; instead, under the management approach, the information made available to the CODM had to be supplied. What is apparent from Table 6.5 is that different CODMs appear to see a wide range of items about their business segments. For 12 of the "voluntary" items, the percentage of firms supplying information about business class segments increased. In two of these cases, the changes were sizeable. In particular, 61.4% of firms disclosed the "Basis of measurement" under IFRS 8 while none had provided this information previously. In addition, 28.6% of firms included details about their "Income tax expenses" for business class segments in their 2009 financial statements whereas none had supplied this information in 2008.

Fourth, the items that were required under IAS 14R as secondary segments for geographic areas were still disclosed under IFRS 8. However, there were significant changes in the percentage of firms providing such information. In particular, the percentage for Assets increased from 37.1% under IAS 14R to 80.0% under IFRS 8. The percentage for Revenue (external) also increased under IFRS 8 from 70.0% to 92.9%. This increase in geographic disclosure may be due to the requirement of IFRS 8 for entity-wide disclosures; it may also reflect the fact that the new standard offers more flexibility for disclosing geographic information (Herrmann and Thomas, 2000b; Street et al., 2000). However, companies did not use this flexibility to disclose more detail about capital expenditure in different geographic areas. Such information may be perceived as commercially sensitive since the percentage of firms disclosing it fell from 24.3% to 21.4%.

Fifth, voluntary disclosures of geographic information for Profit, Liabilities, Depreciation and amortisation, Other non-cash expenses and Reconciliation to consolidated accounts increased under IFRS 8 (by 8.6%, 8.6%, 7.1%, 1.4% and 2.8% respectively); these items were disclosed by the 10 companies classified in the DF group that identified their geographic segmental information as operating segments. However, these items were the main difference between the 10 companies that identified their geographic information as operating segments and the other 37 companies that disclosed their geographic information as entity-wide disclosures. In other words, both groups provided their External Revenue and Assets as requested for entity-wide disclosures with more items disclosed (Profit, Liabilities, Depreciation and amortisation, Other non-cash expenses and Reconciliation to consolidated accounts) for the 10 companies that identified their geographic information as operating segments.

Finally, an interesting finding from a study of the disclosures behind Table 6.5 is that 43 of the 47 companies in the DF group for operating business segments and 9 of the 10 companies that defined their geographic information as operating segments used the accruals basis to calculate their segmental profit. The only exception was an industrial company (The Jordan Cement Factories). However, this firm did not outline why the basis of measurement for segmental data was different from that used in its consolidated financial statements. It simply informed the users of its financial statements that the segmental profit was different with no information about the actual basis that they had adopted:

> "Segmental performance is evaluated based on operating profit or loss which in certain respects, is measured differently from operating profit or loss in the consolidated financial statements" (Annual Report 2009, p 55).

Further, the DF group measured their segmental assets (and liabilities if reviewed by the CODM) on a historical cost basis. Thus, the majority of the Jordanian first market companies that identified their segments as required under IFRS 8 (the DF group) did not employ non-IFRS measurements for segmental information in their 2009 annual reports.

The information in Table 6.6 builds upon the details contained in Table 6.5. For example, Panel A of Table 6.6 illustrates that 12 companies disclosed 17 or more items under IFRS 8, compared to the maximum number of items under IAS 14R (16 items, Appendix 3.1). It also highlights why the mean and median segmental disclosures between 2008 and 2009 changed according to Table 6.5; the distribution was spread more evenly in 2009 with a greater tendency to disclose additional items under the new segmental standard. For instance, while only two companies published more than 13 items of segmental information in 2008, 18 companies did so in 2009. According to Panel B, just over half of the sample companies increased the number of segmental items disclosed under IFRS 8, while a small minority of nine companies reduced the number of segmental items published under the new standard. Some 23 companies disclosed the same number of segmental items in both 2008 and 2009. Overall, the items that were required under IAS 14R were still published in 2009 with new items added following the introduction of IFRS 8. This indicates that the information regularly reviewed by the CODM goes beyond that previously required by IAS 14R.

Table 6.6 The Distribution of the Number of Segmental Items Disclosed for 2008 and 2009

Panel A: Distribution of the Items Disclosed

Number of Items Disclosed	**Number of Companies**	
	2008 (IAS 14R)	**2009 (IFRS 8)**
Zero	13	3
Two	2	1
Three	10	0
Four	6	5
Five	3	8
Six	5	3
Seven	0	2
Eight	3	7
Nine	3	5
Ten	6	5
Eleven	7	4
Twelve	5	5
Thirteen	5	4
Fourteen	1	1
Fifteen	0	3
Sixteen	1	2
Seventeen	0	3
Eighteen	0	2
Nineteen	0	1
Twenty	0	2
Twenty One	0	3
Twenty Six	0	1
Total	**70**	**70**

Panel B: Changes in the Distribution of the Items Disclosed from 2008 to 2009

Number of companies which increased the segmental items disclosed	38
Number of companies which decreased the segmental items disclosed	9
Number of companies which no change the segmental items disclosed	23
Total	**70**

Note: This table shows the distribution of the number of segmental items disclosed, and changes in the number of companies which disclosed segmental information.

6.4.3 Geographic Segment Definitions

The overall distribution of the number of geographic segments slightly increased upon the adoption of IFRS 8 (Table 6.4). It is therefore hardly surprising that the geographic segment definitions changed under IFRS 8. Table 6.7[111], highlights that the number of individual country disclosures was higher (5 companies had finer definitions) under IFRS 8 as well as the number of broader geographic locations (3 companies had broader definitions). All companies disclosed "Jordan" or "inside Jordan" as a geographic area except one service and one industrial company in both 2008 and 2009 (RJAL and JOPH respectively). This table includes companies that changed the level of their segmental disclosures; the 13 companies which did not disclose segmental information in 2008, but disclosed it in 2009 plus the three services companies which did not reported segmental information in 2009, but had reported it in 2008. This explains the difference of 10 companies for the "Jordan" or "inside Jordan" category (65 – 55) for 2009. In other words, companies that disclosed segmental information for first time upon the introduction of IFRS 8 in 2009 employed this categorisation and geographically operated within Jordan only; these companies were included in the "new information under IFRS 8" group in Panel B of this table.

[111] The definition of locations and names in the table were employed by the sample companies, and represented in the table as exactly as the sample companies disclosed this segmental information.

Table 6.7 Geographic Area Definitions for 2008 and 2009		
Panel A: Geographic Areas		
	2008 (IAS 14R)	**2009 (IFRS 8)**
General		
Jordan/Inside Jordan	55	65
Outside Jordan	22	17
Continents		
Europe	2	4
America	1	2
Asia	2	4
Africa	2	3
Other	2	4
Regions		
Eastern Arabic	1	1
Arabic Gulf	4	4
Middle East	3	3
Free Zones	1	0
Associated companies, Jordan	1	1
Aqaba - Jordan	4	2
Foreign Country		
Eriteria	1	0
Sudan	1	0
Saudi Arabia	1	0
Palestine	2	7
Syria	1	1
Lebanon	0	1
Cyprus	0	2
Morocco	0	1
Egypt	0	1
Iraq	1	4
Panel B: Geographic Segment Definitions		
New information under IFRS 8		13
Finer under IFRS 8		6
Broader under IFRS 8		5
Same		40
Less fine under IFRS 8		1
Less broad under IFRS 8		2
No information under IFRS 8		3
Total		**70**

Note: This table shows the geographic area definitions for 2008 and 2009. The "outside Jordan" category refers to companies which disclosed information under this heading without providing further more disaggregation details. Finer refer to individual country disclosures. Broader refers to geographic continent or region (Herrmann and Thomas, 2000b).

From Table 6.7, 17 companies disclosed “outside Jordan” as a geographic area with no further disaggregation or information about specific locations under IFRS 8 - down from 22 companies under IAS 14R. All the bank companies employed this level of disclosure in 2008 but some changed their practices in 2009; 5 banks (BOJX, UBSI, JONB, JOGB and CABK) disclosed finer definitions under IFRS 8. The decrease in the use of this “outside Jordan” category when identifying geographic segments provides some indication that more of the sample companies disclosed additional disaggregated geographic locations.

An analysis of Panel B of this table shows that identifying geographic segments by continent and by individual country increased under IFRS 8. The data shows companies disclosed either the same or “finer” geographic locations when reporting under the new standard; the only exception to this generalisation is an industrial company (JOCM) that did not provide data for Eriteria, Sudan and Saudi Arabia in 2009 whereas it had done so in 2008. In fact, six companies (from banks: BOJX, UBSI, JONB, JOGB and CABK; and an industrial firm MECE) provided geographic data for Palestine, Lebanon, Cyprus, Morocco, Egypt and Iraq for the first time in 2009. Some 4 companies provided data for continents which was double the number disclosing such information in 2008, whilst the regional disclosures dropped in 2009 mainly due to the actions of two financial services companies (INMA and UAIC); one of these financial services companies (INMA) did not disclose Free Zones and Aqaba as regions in 2009, while the other company (UAIC) did not disclose Aqaba as a region. However, some firms improved their geographic segment disclosures upon the adoption of IFRS 8. For instance, three industrial companies disclosed "outside Jordan" under IAS 14R, but based the definition of their geographic segments on the country level upon the introduction of IFRS 8.

6.5 Narrative Disclosures

This section discusses the extent to which Jordanian listed firms went beyond the requirements of IFRS 8 by disclosing the identity of the CODM. Moreover, it evaluates management perceptions about IFRS 8 in both their 2008 and 2009 annual reports for all the 109 sample companies; the disclosures about changes in the IASs used is required by Jordanian legalisation (JSC, 2002). Specifically, the investigation compares the annual reports in 2008 with the annual reports for the same sample in 2009 to see what management chose to say. These disclosures were provided in a narrative format.

6.5.1 The Identity of the CODM for DF Firms

The main aim of this section of the chapter is to outline the narrative disclosures about the identity of a company's CODM in the annual reports of the sample of 47 DF companies for 2009. According to IFRS 8:

> "An operating segment is a component of an entity that (i) engages in business activities from which it may earn revenues and incur expenses (ii) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decision about the segments and (iii) for which discrete financial information is available" (IASB, 2006a, para 5).

These segments were monitored by the company's CODM; IFRS 8 identifies this term as follows:

> "The chief operating decision maker identifies a function. Not necessarily a manager with specific title… Often the chief operating decision maker of an entity is its chief executive officer or chief

> operating officer but, for example, it may be a group of executive directors or other" (IASB, 2006a, para 7).

The operating segment must also have a segment manager, who is directly linked to the CODM. However, the CODM also may be the segment manager for the company's operating segments (IASB, 2006a). The responsibilities of the CODM are to allocate resources and assess the performance of the company's operating segments. Hence, the existence of the CODM under IFRS 8 will depend upon whether the company has operating segments; the CODM is responsible for measuring the performance of, and allocating assets to, an operating segment. Specifically, there may be no need for a company to identify a CODM if it does not report on any operating segments as required under IFRS 8.

In this thesis, 47 of the sample companies identified their segments in accordance with the management approach of IFRS 8; they where classified as the DF group (see Table 6.1). Thus, the identity of the CODM was only investigated for this DF group[112].

Table 6.8 shows that over 60% of the DF group identified the CODM in their financial statements for 2009. From these, the majority assigned the role of the CODM to the company's chief executive officer. This was especially true for financial services and industrial companies where a sizeable number of firms indicated that the CEO was the CODM. However, only 35.7% of banks and 36.4% of

[112] In fact, the annual reports for the 20 firms in the UD group during 2009 were also examined, but none of these companies disclosed information about the identity of the CODM. This finding is in accordance with the requirements of IFRS 8 since the CODM identified where information about operating segments is disclosed; there is no need to identify the CODM when no operating segments are identified.

services companies stated that the CEO was the CODM for IFRS 8 purposes. For instance, a bank EXFB stated that:

> "For administrative purpose, the bank has organized its segments and [these were identified] according to the reports that are used by the chief executive officer who is the main decision maker in the bank through the following... main business segments" [sic] (Annual Report, 2009, p. 91).

In the financial statements of MECE, the industrial company stated that:

> "The company (group) has organized its segments and measured [performance] according to the reports that are used by the chief executive officer who is the main decision maker" [sic] (Annual Report, 2009, p. 56).

In only a small number of instances was an individual or group other than the CEO identified the CODM. For example, three companies (ABCO, JOPT and SITT) highlighted that the CODM was "Management" without giving any details about whether this was a person or a committee, while the service company (SITT) stated that:

> "For administrative purposes, the company organized its segments and measured its performance according to the reports that are used by the Management of the company through these segments" [sic] (Annual Report, 2009, p. 53).

One company (JOKB) stated that the CODM was the CFO. While another company (UAIC) stated that the "Board of Directors" fulfilled this function within their organisation:

> "The group organized its segments and measured performance according to the reports that are used by the Board of Directors" [sic] (Annual Report 2009, p. 28).

Table 6.8 Details about the identity of the CODM for the DF Group Under IFRS 8												
Company Sector		**CEO**		**MGT**		**CFO**		**BoD**		**NP**		**Total**
		No.	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**
Financial	Banks	5	35.7	1	7.1	1	7.1	0	0.0	7	50.0	**14**
	Financial Services	7	77.8	0	0.0	0	0.0	1	11.1	1	11.1	**9**
Services		4	36.4	1	9.1	0	0.0	0	0.0	6	54.5	**11**
Industrial		8	61.5	1	7.7	0	0.0	0	0.0	4	30.8	**13**
Total		**24**	**51.1**	**3**	**6.4**	**1**	**2.1**	**1**	**2.1**	**18**	**38.3**	**47**

Note: This table provides details about the identity of the CODM for the sample of 47 companies which identified the CODM when providing details about operating segments in their financial statements for 2009. CEO refers to Chief Executive Officer, MGT refers to Management, CFO refers to Chief Financial Officer, BoD refers to Board of Directors, and NP refers to not provided.

One of the surprising results to emerge from Table 6.8 is that 18 (38.3%) companies did not provide any information about the CODM. Thus, 18 companies in the DF group did not go beyond the requirements of IFRS 8 in this regard and supply details of the CODM's identity. This minority were not equally distributed across all sectors. Some 13 of them were in the banks and services sectors. Such a finding is surprising for the banks since they always complied fully with segmental reporting requirements.

6.5.2 Management Perceptions about IFRS 8 in 2008 and 2009

This section discusses the narrative comments about IFRS 8 in the annual reports of the sample companies both prior to and immediately after the adoption of the new standard. In particular, it focuses on the management comments about preparation for IFRS 8 in 2008 and about the implementation of the standard in 2009. Specifically, the discussion is based on the financial statements of all 109 Jordanian first-market sampled companies. Thus, all the sample companies' annual reports were scrutinised including those in the NS category (see Table 6.1), since the JSC required listed companies to provide a note in the annual report about new standards and amendments issued by the IASB but not yet adopted (JSC, 2002). In any financial year, listed companies had to provide information in a note about the adoption of new and revised standards that became effective in that period with a brief description about its elements (JSC, 2002). For instance, since the IASB issued IFRS 8 in 2006 the Jordanian listed companies should have highlight this information within a note about new standards that were not yet effective; in 2009 they should have disclosed that IFRS 8 became effective in the current period and supplied a brief description about its impact on the financial statements. However, in this study, not all the sample companies complied with the JSC legalisation. Thus, a sizeable minority did not provide information about IFRS 8 in either 2008 or 2009.

Table 6.9 summarises the comments of management about the expected impact of IFRS 8 in their 2008 annual reports. According to this table, 48 (44%) companies expected that the new standard would have no material impact on their financial position or on the financial statements. For example, AJIB - a bank - argued that:

> "Management of the Bank anticipates that each of the above Standards and Interpretations [including IFRS 8] will be adopted in the preparation of the Bank's financial statements by their effective dates mentioned above [1 January 2009], and that the adoption of those Standards and Interpretations will have no material impact on the financial statements of the Bank in the period of initial application" [sic] (Annual Report, 2008, p. 84).

The financial statements of an industrial company, INOH, stated that any impact from the adoption of IFRS 8 would be relatively minor:

> "[The] Board of Directors of the company expects that the application of these standards and interpretations [including IFRS 8] in future periods will not have a substantial financial impact on the financial statements of the company" [sic] (Annual Report 2008, p. 12).

Table 6.9 Management Comments about the Likely Impact of IFRS 8 Prior to the Standard's Adoption										
Company Sector		**F**		**ENI**		**ENC**		**NIP**		**Total**
		No.	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**
Financial	Banks	1	7.1	6	42.9	5	35.7	2	14.3	**14**
	Financial Services	5	13.9	17	47.2	0	0.0	14	38.9	**36**
Services		5	20.0	9	36.0	1	4.0	10	40.0	**25**
Industrial		1	2.9	16	47.1	4	11.8	13	38.2	**34**
Total		**12**	**11.0**	**48**	**44.0**	**10**	**9.2**	**39**	**35.8**	**109**

Note: This table summarises managements' views about the likely impact of IFRS 8 in the financial statements for 2008 before the standard was adopted. F refers to flagging that IFRS 8 is coming, ENI refers to expect no impact on the company's financial position, ENC refers to expect no change in segment identification and NIP refers to no information provided.

According to Table 6.9, a further 10 companies (9.2%) were more explicit in what they said about the introduction of IFRS 8. In their annual reports for 2008, they stated that the new standard would not change the identity of their segments; they expected that their primary segments under IAS 14R, would become operating segments under IFRS 8. For example, JTEL – a service company - argued that:

> "The IASB issued IFRS 8 in November 2006. IFRS 8 replaces IAS 14R Segment Reporting upon its effective date; this amendment becomes effective for annual periods beginning on or after 1 January 2009, and operating segments are expected to be the same as currently identified business segments under IAS 14R" [sic] (Annual Report 2008, p. 33).

Some 39 companies (35.8%) did not mention IFRS 8 in their 2008 annual reports. A further 12 companies (11.0%) flagged up that the new standard on segmental reporting was being introduced but provided no indication about its likely impact on users of the financial statements. For example, a financial service firm AMWL, simply stated that:

> "The IASB issued IFRS 8 in November 2006. IFRS 8 replaces IAS 14R Segment Reporting (IAS 14) upon its effective date. This standard becomes effective for annual periods beginning on or after 1 January 2009" [sic] (Annual Report 2008, p. 47).

Table 6.10 highlights whether company expectations about IFRS in their 2008 annual reports were fulfilled according to the comments in the 2009 financial statements. As Section 6.2 highlighted, a number of companies increased the segmental information provided under IFRS 8. Thus, IFRS 8 had an impact on a minority of the sample companies' activities and disclosure practices. The current section examines whether the management of the sample companies discussed the impact of IFRS 8 in the narrative comments in their annual reports. The banks provided narrative information about IFRS 8, but only just over half of the industrial companies supplied statements about the new standard. Of the companies that provided information, 27 (24.8%) argued that the adoption of IFRS 8 had no impact on their financial position or on the financial statements; their operating segments under IFRS 8 were the same as those identified under IAS 14R. For example, JOKB – a bank argued that:

> "This Standard [IFRS 8] supersedes IAS 14R (Segment Reporting). According to the new standard, operating segments do not differ for business segments as previously identified under IAS 14R. In addition, the application of this standard did not result in any significant impact on the financial position" [sic] (Annual Report, 2009, p. 75).

Surprisingly, seven companies from the NS category employed this statement in their annual reports for 2009. Thus, these companies may have misunderstand the principle of segmental information. Some 15 companies (13.8%) highlighted that the new standard changed how their segments were identified and had a significant impact on their financial position. However, none of these companies mentioned any further details about what this impact was. For instance, an industrial company, MPHA, stated that:

> "IFRS 8 supersedes IAS 14R (Segment Reporting) applied in January 2009; the application of this standard resulted in re-identifying segments according to the management approach based on the internal reports of the company; it also results a significant impact on the financial position of this year" [sic] (Annual Report, 2009, p. 26).

Table 6.10 Management Comments about the Impact of IFRS 8 in 2009										
Company Sector		**CDS + FI**		**CDS + NFI**		**NCD + NFI**		**NIP**		**Total**
		No.	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**
Financial	Banks	2	14.3	12	85.7	0	0.0	0	0.0	14
	Financial Services	4	11.1	5	13.9	16	44.4	11	30.6	36
Services		4	16.0	7	28.0	5	20.0	9	36.0	25
Industrial		5	14.7	8	23.5	6	17.6	15	44.1	34
Total		**15**	**13.8**	**32**	**29.4**	**27**	**24.8**	**35**	**32.1**	**109**

Note: This table summarises managements' views about the impact of IFRS 8 in the financial statements for 2009 upon the introduction of the standard. CDS refers to a change in segments defined, FI refers to a financial impact, NFI refers to no financial impact, NCD refers to no change in the definition of their segments and NIP refers to no information provided.

For the 13 companies that disclosed segmental information for the first time, not surprisingly, the narrative text highlighted a change in practice. For example, a service company SITT, stated that:

> "IFRS 8 supersedes IAS 14R (Segment Reporting) applied in January 2009. This is the first year that the company disclosed segmental information. Thus, the application of this standard resulted in identifying segments according to the management approach; it also results in a significant impact on the financial position of this year" [sic] (Annual Report, 2009, p. 41).

Moreover, 32 companies (29.4%) changed the definition of their segments upon the adoption of IFRS 8, but this change had no material impact of their financial position. For example, a bank company JOGB stated that:

> "IFRS 8 supersedes IAS 14R (Segment Reporting) applied in January 2009, according to this new disclosure standard, resulted in re-identifying operating segments of the bank; however, the application of this standard did not result in any significant impact on the financial position" [sic] (Annual Report, 2009, p. 78).

JOPT, a company in the service sector agreed with this view when they highlighted that:

> "This Standard replaced the International Accounting Standard No. 14 Revised, and adopts a management approach in the disclosure of operating segments. The application of this standard did not result in any significant impact on the financial position or results of the company (group). However, the operating segments disclosed are different under this standard from the previous year" [sic] (Annual Report, 2009, p. 80).

Finally, 35 companies (32.1%) did not provide information about the impact of IFRS 8.

In general, about one-third of the Jordanian sample companies did not comply with the Jordanian regulators' requirements and provide explanatory information about IFRS 8 in both their 2008 and 2009 annual reports. A majority of companies that did provide such information did not expect the standard to have any impact on either the financial statements or on the segment definitions in 2008. Moreover, one-third of sample companies mentioned that there was no actual impact on the financial statements or on the segment definitions when they applied IFRS 8 in their 2009 accounts. More than one-third stated that they re-categorised their segments in accordance with the IFRS 8 approach as operating segments. The management comments of the sample companies about IFRS 8 supported the other findings of this study; some 47 companies identified operating segments in 2009 and stated that they had change how segments were defined; whilst the 20 companies in the UD group stated that there had been no change in the definition of their segments and no financial impact of the new standard on their financial statements. However, the UD group argued that the operating segments in 2009 were not different from the segments highlighted in the previous year under IAS14R; but, in fact, they had not defined their segments as primary and secondary as required under the IAS 14R's two-tier approach in 2008, nor as operating segments as requested under IFRS 8's management approach in 2009. Thus, these companies may have misunderstood the requirements of the standards.

6.6 Conclusions

Under IFRS 8, Jordanian companies are now required to disclose segmental information which is consistent with how management views the entity based on its internal reports. The findings of this Chapter show that over one-third of the sample companies that disclosed segmental information in 2008 and/or 2009 changed their definition of segments upon the adoption of the new segmental reporting standard.

This finding suggests that many segmental disclosures previously disclosed under IAS 14R may not have been effective in helping users to appreciate management's view of the entity based on its internal reports.

The re-definition of segments according to the new standard has resulted in several improvements in the level of segmental disclosures for the Jordanian listed companies. The introduction of IFRS 8 resulted in about 10.0 percent of the sample companies disclosing segmental information for the first time. Some 13 out of 109 companies studied disclosed segmental information for the first time under IFRS 8, whilst three services companies stopped providing segmental information when the new standard was introduced. Apparently, the remaining companies previously defined their segments under IAS 14R in a manner consistent with the internal organisation of the company and in accordance with management approach under IFRS 8. Thus, the IFRS 8 reporting rules had a sizeable impact.

Suwaidan et al. (2007) documented that the average disclosure of segmental items by their sample companies was only 15% of the information which should have been published under IAS 14R. Their disclosure index checklist only included the 16 items that were required by IAS 14R; Suwaidan et al. (2007) did not show any awareness about voluntary segmental disclosures by Jordanian listed companies. The current study has found that the average disclosure of segmental items by the sample companies has increased from 18.6% under IAS 14R to 30.6% under IFRS 8; the Jordanian listed companies appeared to still disclose the items required under IAS 14R but had supplemented these with additional details that were being reviewed by the CODM. What is slightly surprising is that the figure of 30.6% is not higher. Of course, this percentage might be low because not a lot of segmental information is reviewed by the CODM. Thus, IFRS 8 had a significant impact on the manner of which entities disclosed segmental information. For example, companies disclosed more items for each operating segment on average. The disclosures mandated by IAS 14R continued under IFRS 8 with an increase of new disclosures required by IFRS 8, such as the basis of measurement, factors used to identify the entity's segments and entity-wide disclosures (major customers details). Also new items were disclosed if regularly reviewed by the CODM such as interest revenue, interest expense and income tax expense. Further, the number of business classes and geographic segments for which information was provided increased. Crawford et al. (2010b) documented a similar result for their UK sample of 65 firms; this research provides evidence that the new international standard appears to be useful for a different business environment. In addition, Crawford et al. (2010b) found that a minority of UK companies (9%) disclosed that they used non-IFRS measurements; the authors suggested that UK companies had not taken the opportunity offered by IFRS 8 to report segmental information using non-IFRS measurements. As a result, any reconciliation items which arose were not usually attributable to the use of non-IFRS measurements. According to the current study, none of the Jordanian listed companies employed non-IFRS measurements to report segmental information in their 2009 annual reports; the only exception was an industrial company (The Jordan Cement Factories). However, this firm did not outline why the basis of measurement for segmental data was different from that used in its consolidated financial statements. It simply informed the users of its financial statements that the segmental profit was different with no information about the actual basis that they had adopted. Finally, the geographic locations that were employed were finer for individual country disclosures and broader for continents under IFRS 8; the entity-wide geographic disclosures seemed to improve the flexibility to disclose more geographic segments with finer and broader disaggregating of geographic locations. In general, the disclosure of segmental information under the IFRS 8 management approach increased.

The identity of the entity's CODM does not have to be disclosed under IFRS 8. As a result, over one-third of the DF group of companies did not provide any narrative disclosures about the identity of the CODM, but about half identified the CODM as the entity's chief executive officer. One might expect that knowing the identity of the CODM might supply context for any segmental information that is provided; decision makers might want to know about the individual or group who is regularly reviewing the information which gets published. Surprisingly, only half of the Jordanian companies seemed to agree with this idea; the other half may not have thought that the information was useful or decided to only comply with the minimum requirements of IFRS 8. Finally, Jordanian legalisation required companies to highlight information about new standards and their interpretations in the annual reports of the companies listed on the ASE. However, about one-third of the sample companies did not report about the likely impact (and actual impact) of IFRS 8 in their 2008 (and 2009) annual reports.

Chapter 7

Perceptions of External Auditors, Preparers and Users of Financial Statements about IFRS 8

7.1 Introduction

Chapter five outlined the different research methods that are adopted in this thesis; specifically, it highlighted details about the disclosure index and interview methods employed. The current chapter summarises the findings of interviews with external auditors, preparers and users of financial statements based on their perceptions about, and experiences of, IFRS 8's implementation and disclosures. Their views are also ascertained on the decision usefulness of segmental information disclosed under the new standard. The interviews focused mainly on four main themes: (i) the introduction of IFRS 8 and whether there were any difficulties associated with the initial implementation and disclosures of the new standard; (ii) the contents of IFRS 8 and participants' perceptions of contentions aspects of the standard such as the management approach to identifying segments, the use of non-IFRS measurements, and the identity of the CODM; (iii) interviewees' views about the quality and quantity of segmental information disclosed under IFRS 8 relative to IAS 14R; and (iv) participants' thoughts about the qualitative characteristics of financial information provided under IFRS 8 as regards to its understandability, relevance, reliability and comparability. In addition, users were asked about whether they studied segmental information when analysing the performance of a company, and if so, what the most useful segmental items were for their decision making needs. The interviews were fully transcribed in Arabic. Then, significant answers that related to the questions asked were translated into English; Appendix 4.1 details the interviewees' experiences and perceptions about IFRS 8 in their original Arabic wording; the English translation of this Arabic will be cited in the current chapter.

The reminder of this chapter is structured as follows. Section 7.2 outlines the sample background and research method used. Section 7.3 summarises the opinions of the research participants about the introduction of IFRS 8 while Section 7.4 investigates their views on the contents of IFRS 8. The participants' thoughts about the impact of IFRS 8 on the quality and quantity of segmental information provided are examined in Section 7.5. The usefulness of segmental information disclosed under IFRS 8 based on the qualitative characteristics of the data disclosed under the standard is discussed in Section 7.6. Finally, Section 7.7 summaries the conclusions of this chapter.

7.2 The Interviews

For the purpose of this thesis, 29 interviews involving 31 participants[113] were conducted throughout Jordan; specifically, interviews took place in Amman, Irbid and Mafraq. Since the main branches of the Big Four auditing firms, listed companies offices, as well as the headquarters of the JSC and the ASE are located in Amman most of interviews (25) were conducted in this city. Only 3 took place in Irbid while 3 occurred in Mafraq. Three different versions of the semi-structure of questionnaire[114] were utilised-one each for external auditors, preparers and users of financial statements. A majority of questions were common across the three groups (see Section 5.5 of Chapter 5 for details about the sample selection and the procedure for identifying interview questions).

[113] A number of the interviews in the current study were conducted in groups at the request of the interviewees. The first group interview was with EA7 and EA8, while the second group interview was with P5 and P6.

[114] See Appendix 2.3 for a copy of questions employed for the interviews in both English and Arabic.

Three weeks before conducting the interviews, emails were sent to 4 external auditors and 3 preparers giving an overview of the research objectives, asking for an interview and requesting that any interview might be digitally recorded. The other 5 external auditors and 4 preparers were personal contacts and former colleagues of the researcher in the accounting profession who were now working in industry or as external auditors. All interviewees kindly agreed to participate in the research and gave permission to have any conversation digitally recorded[115]; one exception to this generalisation was an external auditor who refused to have his interview taped; therefore detailed notes were taken during and immediately after this interview and these notes were typed up. Users were not sent any emails by the researcher; instead, they were contacted directly at the main hall of the securities exchange (at the ASE). All users permitted their discussions to be taped.

Interviews took place during July and August 2010 with external auditors, preparers and users of financial statements of Jordanian listed companies. A day before each external auditor and preparer was interviewed; phone calls were made in order to remind the interviewees about the appointment. When the appointment was confirmed, the interviewer turned up to the specified address at the appointed hour. Before starting each interview, the background of the research was outlined and a covering letter, signed by the researcher's supervisors, was shown to participants (see Appendix 2.5). Moreover, the objective of the interview was explained; interviewees were told that the views of three groups were being ascertained about IFRS 8. Thus, each interviewee was told that there were no "right" or "wrong" answers to the questions; they were not restricted to answer the questions in the sequence in which

[115] Unfortunately, the batteries of the dictation machine ran out during the group interview with the two external auditors; these were therefore only partly recorded. Nevertheless, detailed notes were able to supplement the partial recordings such that the responses given were noted.

they were numbered in the questionnaire, but instead were allowed to raise any issue as they wished; and they were allowed to answer without any restriction or interruption from the researcher. The average duration of an interview was 30 minutes; each interview lasted between 10 to 48 minutes. Table 7.1 summaries the profile for each interviewee, including their educational background and experiences.

Table 7.1 Interviewees Background Information: General							
Code	**Date**	**Recorded**	**Duration**	**Title/Sector**	**Position**	**Sex**	**Age**
EA1	26/07/2010	Yes	29	EA	Auditor Assistant (B4)	Male	20-25
EA2	01/08/2010	Yes	28	EA	General Manager (OB)	Male	50+
EA3	03/08/2010	Yes	45	EA	General Manager (OB)	Male	50+
EA4	08/08/2010	Yes	36	EA	General Manager (OB)	Male	31-35
EA5	22/08/2010	Yes	39	EA	Partner of Audit Firm (OB)	Male	50+
EA6	25/08/2010	No	28	EA	Deputy Manager (B4)	Male	26-30
EA7	25/08/2010	Partly	40	EA	Audit Manager (B4)	Male	26-30
EA8	25/08/2010	Partly	40	EA	Audit Manager (B4)	Male	26-30
EA9	25/08/2010	Yes	31	EA	Audit Manager (B4)	Male	31-35
P1	29/07/2010	Yes	30	Banking	Director of financial analysis	Male	41-45
P2	29/07/2010	Yes	19	Banking	Financial Accounting Manager	Male	41-45
P3	29/07/2010	Yes	48	Services	Chief Financial Officer	Male	31-35
P4	31/07/2010	Yes	27	Services	Head of Accounting Officer	Male	20-25
P5	02/08/2010	Yes	28	Industrial	Chief Financial Officer	Male	41-45
P6	02/08/2010	Yes	28	Industrial	Head of Accounting Officer	Female	31-35
P7	05/08/2010	Yes	39	Industrial	Chief Executive Officer	Female	46-50
U1	27/07/2010	Yes	11	Investor	Teller	Male	41-45
U2	26/07/2010	Yes	22	Investor	N/A	Male	50+
U3	27/07/2010	Yes	15	Investor	N/A	Male	50+
U4	27/07/2010	Yes	10	Investor	N/A	Male	50+
U5	27/07/2010	Yes	18	Investor	N/A	Male	36-40
U6	27/07/2010	Yes	22	Analyst	General Manager	Male	50+
U7	27/07/2010	Yes	23	Analyst	General Manager	Male	41-45
U8	27/07/2010	Yes	21	Analyst	General Manager	Male	50+
U9	28/07/2010	Yes	27	Investor	N/A	Male	36-40
U10	28/07/2010	Yes	24	Analyst	Investment Risk Management	Male	31-35
U11	28/07/2010	Yes	15	Analyst	Investment Officer	Male	36-40
U12	15/08/2010	Yes	34	Investor	N/A	Male	50+
U13	23/08/2010	Yes	32	Investor	N/A	Male	50+
U14	23/08/2010	Yes	29	Analyst	General Manager	Male	46-50
U15	23/08/2010	Yes	25	Investor	N/A	Male	50+

Note: This table shows the general information about the interviewees. There were group interviews in the current study as requested by the interviewees. The first group interview was with EA7 and EA8, while the second group interview was with P5 and P6. The other interviews were individual. EA refers to external auditor, P refers to preparers, U refers to users, B4 refers to Big Four audit firms and OB means the external auditor has its own business.

An analysis of the table reveals that a total of 29 males and two females were interviewed. All of the external auditors were male and five worked for Big Four audit firms; indeed, four had their own businesses. A mix of preparers was included in the sample: two worked in banking; two were from listed companies in the services sector; and three were employed by industrial firms. The interviewees had a range of job titles although most were relatively senior within their organizations. Not surprisingly therefore, a lot of the interviewees were over 50 while 15 were between 30 and 49 years of age; only 5 were under 30.

Table 7.2 reports on the interviewees' qualifications; in particular, details about their education, membership of professional bodies and years of experience in both their current and previous positions were all ascertained. A majority of the interviewees held a bachelor's degree in accounting, or another related field, and typically graduated from a Jordanian University. All external auditors were members of JACPA; five of them were also members of the American Institute of Certified Public Accountants (AICPA). The level of experience among the interviewees varied within as well as between the different interviewee groups; the average total experience for external auditors was 18 years while that for preparers was 16 years; users typically had 23 years of experience at investing in Jordanian equities.

Table 7.2 Interviewees Background Information: Qualifications							
Code	Education			Member	Years of Experience		
	Qualifications	Subject	Place		Current position	Previous positions	Total
EA1	BSc.	Accounting	Jordan	JACPA	2	1	3
EA2	BSc. JCPA	Accounting	Lebanon	JACPA	25	10	35
EA3	BSc. JCPA	Accounting	Lebanon	JACPA	24	20	44
EA4	BSc. CPA CVA	Accounting	Jordan	JACPA AICPA	4	10	14
EA5	BSc. JCPA	Accounting	Jordan	JACPA CHI	30	2	32
EA6	BSc. CPA	Accounting	Jordan	JACPA AICPA	3	4	7
EA7	BSc. CPA	Accounting	Jordan	JACPA AICPA	1	6	7
EA8	BSc. CPA	Accounting	Jordan	JACPA AICPA	2	6	8
EA9	BSc. CPA	Accounting	Jordan	JACPA AICPA	5	1	6
P1	MSc.	Financial Management	Jordan	-	6	16	22
P2	MSc.	Accounting	Jordan	JACPA	7	13	20
P3	PhD. CLBB	Accounting	Jordan	ABA	10	2	12
P4	BSc. CMA	Accounting	Jordan	IMA	1	1	2
P5	MSc.	Financial Management	Jordan	-	20	1	21
P6	MSc.	Financial & Banking Sciences	Jordan	-	9	0	9
P7	MSc.	Accounting	Jordan	-	26	3	29
U1	BSc.	Business Administration	Jordan	-	12	N/A	12
U2	BSc.	Hotel and Tourism	Lebanon	-	20	N/A	20
U3	MSc.	Arabic Language	Jordan	-	32	N/A	32
U4	BSc.	Financial & Banking Sciences	Jordan	-	30	N/A	30
U5	MSc.	Engineering	Jordan	-	5	N/A	5
U6	BSc.	Accounting	Jordan	-	30	N/A	30
U7	BSc.	Accounting	Jordan	-	20	N/A	20
U8	BSc.	Economics	Lebanon	-	27	N/A	27
U9	BSc.	Trade & Finance	Jordan	-	15	N/A	15
U10	MSc.	Financial Management	UK	-	8	N/A	8
U11	BSc.	Accounting	Jordan	-	15	N/A	15
U12	High School	-	Jordan	-	40	N/A	40
U13	High School	-	Jordan	-	28	N/A	28
U14	BSc.	Engineering	USA	-	28	N/A	28
U15	MSc.	MBA	India	-	35	N/A	35

Note: This table shows the qualifications and experiences profile of each interviewee. The ‘place’ identifies where the interviewee was awarded their qualifications. Years of experience is divided between current position and previous positions of accounting and related fields for external auditors and preparers, for users which mean as an investor or analyst. For analysis purposes, P6 and U15 were removed from the final sample as well as next tables, which they did not provide sufficient information and not had a background about the subject of the study. EA = external auditor, P = preparers, U = users, BSc. = Bachelor Degree, MSc. = Master Degree, CPA = US Certified Public Accountant, JCPA = Jordanian Certified Public Accountant, CVA = Certified Valuation Analysis, CLBB = Certified Lender Business Banker, PhD. = Doctor of Philosophy, MBA = Master of Business Administration, JACPA = Jordan Association of Certified Public Accountants, AICPA = American Institute of Certified Public Accountants, CHI = Crowe Horwath International, ABA = American Bankers

Association, IMA = Association for Accountants and Financial Professionals in Business and N/A = Not Available.

P6 and U15 were removed from the final sample. Specifically, P6 was interviewed with P5 and she remained silent during most of the meeting; her answers to the questions were very brief and she simply agreed with P5's answers without providing any justification for her responses. U15 did not know anything about IFRS 8 specifically or financial statements in general; for most of the questions he talked about other topics such as the level of taxation in Jordan or he just answered "I do not know what you are talking about". Thus, these two interviewees were removed because they did not provide a great deal of insight about the subject of the current study. Thus, the final sample for the analysis in this chapter was 29 interviewees[116]. As Chapter 5 indicated, the interview questions were based on four main themes: (i) the introduction to IFRS 8, (ii) the content IFRS 8, (iii) the quantity and quantity of segmental information provided under IFRS 8 and (iv) the usefulness of segmental information from financial statements prepared under IFRS 8. The following results sections of the current chapter use the same four headings to describe the interview findings.

7.3 The Introduction of IFRS 8

This section summarises the perceptions of external auditors, preparers and users of financial statements about the introduction of IFRS 8; Table 7.3 provides a summary of the responses to the various questions asked during this part of the interview (see Appendix 2.3 for a list of the full questions). According to Column A of this table, some 72% of interviewees indicated that the implementation of IFRS 8 had not given rise any difficulties during 2009; specifically, all external auditors, four preparers and nine users put forward this view. For instance, EA1 stated that "the

[116] The final sample for analysis purposes is nine external auditors, six preparers and 14 users.

conversion from IAS 14R to IFRS 8 had gone smoothly, and there was no difficulty with the changes introduced by this standard". P5 agreed with the thrust of IFRS 8 and argued that a company should disclose its segmental data in accordance with information presented internally to management; his firm had nothing to hide from readers of its financial statements. P7 stated that IFRS 8 was easy to apply and "there was no difficulty in its application or its requirements". EA5 adopted a different perspective. He found that IFRS 8 was problematic but for preparers only:

> "For me [as an external auditor] there is no problem. But I encountered problems with the preparers of the financial statements on this standard. When we asked for more segmental information from the client, they were asking us, why? I believe they have a problem with the IFRS 8 approach [which lets users see information through the eyes of management]".

Table 7.3 Introduction of IFRS 8: Summary Answers					
Column	**A**	**B**	**C**	**D**	**E**
	Difficulties with IFRS 8 and its implementation	**Have any briefing to help**	**Companies suffer additional costs compared to IAS 14R**	**Observe/provide statement about IFRS 8 included in annual report**	**Change internal reporting practices (P)**
EA 1	No	No	More	Yes	N/A
EA 2	No	Yes	More	Yes	N/A
EA 3	No	No	More	Yes	N/A
EA 4	No	Yes	No difference	Yes	N/A
EA 5	Yes (for preparers)	No	No difference	Yes	N/A
EA 6	No	Yes	No difference	Yes	N/A
EA 7	No	Yes	No difference	Yes	N/A
EA 8	No	Yes	No difference	Yes	N/A
EA 9	No	Yes	No difference	Yes	N/A
P 1	Yes	Yes	More	Yes	Yes
P 2	No	Yes	More	Yes	Yes
P 3	Yes	Yes	More	Yes	Yes
P 4	No	Yes	More	No	No
P 5	No	No	More	Yes	Yes
P 7	No	No	No difference	Yes	Yes
U 1	Yes	N/A	N/A	N/A	N/A
U 2	No	N/A	N/A	N/A	N/A
U 3	No	N/A	N/A	N/A	N/A
U 4	No	N/A	N/A	N/A	N/A
U 5	Yes	N/A	N/A	N/A	N/A
U 6	No	N/A	N/A	N/A	N/A
U 7	No	N/A	N/A	N/A	N/A
U 8	No	N/A	N/A	N/A	N/A
U 9	Yes	N/A	N/A	N/A	N/A
U 10	Yes	N/A	N/A	N/A	N/A
U 11	No	N/A	N/A	N/A	N/A
U 12	Yes	N/A	N/A	N/A	N/A
U 13	No	N/A	N/A	N/A	N/A
U 14	No	N/A	N/A	N/A	N/A

Note: This table presents summary answers of respondents about the introduction of IFRS 8 and covers: whether there is problems with IFRS 8; training about IFRS 8; additional costs of preparing segmental information under IFRS 8; observes/provides an narrative explanation about IFRS 8 in annual reports; and whether preparers changed their internal practices within the introduction year of IFRS 8. EA refers to external auditor, P refers to preparers, U refers to users, and N/A refers to Not Asked. Column E is only relevant for preparers. See Appendix 2.3 for relevant semi-structured interview questions.

Interviewees were asked if they had received IFRS 8 training (Table 7.3, Colum B). Of course, external auditors possibly received training or were provided with a briefing paper about IFRS 8 before its effective date. In addition, they had a great deal of experience in dealing with new standards. Indeed, all the Big Four interviewees' attended a course in Dubai, which included updates on IFRS 8. For example, EA7 stated he had "received training from PWC in Dubai; the name of the course was IFRS Updates". However, a majority of the non-Big Four auditors who own their own business did not receive any training on this new standard - even from JACPA. For example EA5 stated that "there was no training from JACPA". However, EA4 was an exception to this generalisation; he argued that there had been training from JACPA at its private training centres but this was for all IASB updates not IFRS 8 specifically:

> "Yes [I received training], from JACPA and its private training centre not solely about this standard, but the changes in all recent standards".

IFRS 8 was seen as a problematic standard by some preparers and users. For instance, U5, U9, U10 and U12 did not believe that Jordanian companies would disclose internally generated reports for public consumption. For example, U5 stated "it is impossible to believe that the internal information will be disclosed [to the public]". U12 thought that IFRS 8 would provide companies with an opportunity to manipulate the segmental information which was disclosed:

> "I think the new standard will give more room for companies to manipulate segmental disclosures, so they can avoid disclosing some of the data as it no longer exists internally or is not reviewed by the CODM; what is the evidence that I should believe them?".

P1 who worked in the banking sector agreed with U5, U9, U10 and U12 (Table 7.3, Colum A); he found it hard to believe that Jordanian companies would willingly disclose internal data to the public; moreover, he viewed IFRS 8 as a standard which placed his firm at a competitive disadvantage. He argued that the management of his bank would view the publication of certain data regularly reviewed by senior executives as “unacceptable”; according to P1 “banks take this issue of secrecy into consideration because of the level of competition in this sector”. However, P3 who worked as the CFO of a service company suggested that the IASB should provide forums for listed companies in each sector to guide preparers about IFRS 8. In other words, P3 argued that IFRS 8 was a controversial standard where more guidance from the IASB - even for those preparers who had training from “local training centres”.

Interviewees were asked about the financial and human resource costs associated with preparing segmental information under IFRS 8 in comparison to IAS 14R. Column C of Table 7.3 shows that some 53% of external auditors and preparers believed that companies had incurred additional costs when preparing segmental information under IFRS 8. Specifically, EA2, EA3, P1, P2, P3, P4 and P5[117] argued that these additional costs related to segment re-identification and the preparation of financial information to match the new configuration of the firm’s internal reports. For example, EA3 stated that there were extra expenses “because the segments that had previously been disclosed [needed to change] to fit with the internal reports [viewed by the CODM]”. P3 agreed with EA3; he stated that “the internal system had to be changed and the segments re-configured [when IFRS 8 was implemented]”. Specifically, Column E of Table 7.3 shows that five out of six preparers argued that their companies changed their internal reporting practices regarding segmental

[117] EA1 and P4 argued that there was an increase in costs but this was not significant as the preparers were able to minimise these costs and had allowed for them in their budgets. For example, EA1 stated that “I think it increased, but not significantly. The preparer of the financial statements knows about his company needs to increase the benefits [of financial information] without a significant increase in financial costs”.

information once they knew that such information would have to be published under IFRS 8; for example P1[118] stated that:

> "For IFRS 8 purposes, we adopt a new internal reporting basis called 'drivers'. For example, when there is an expense or liability incurred and we need to distribute it across the segments, [this allocation is] based on 'drivers'. In other words, [the allocation is done] on the basis of rooms size for an electric bill for instance or number of employers that work on that segment. We called this a 'driver code'".

Thus, this change in internal reports might effect the decision-usefulness of segmental information in a negative manner. However, none of the external auditors or preparers stated that human resource costs had increased because of IFRS 8; extra expenditure associated with the standard related mainly to financial costs for the disclosure of segmental information:

> "More costs were incurred for re-identifying the bank segments, which led the bank to incur additional costs as the Accounting Department had requested additional financial information for this purpose" (P1).

EA4, EA5, EA6, EA7, EA8, EA9 and P7 argued that there was no difference in costs for IFRS 8 disclosures compared to segmental information prepared under IAS 14R (Table 7.3, Column C). In particular, EA4 EA5, EA6, EA7 and EA8 argued that the same staff prepared the segmental information; thus no additional employees were hired. In other words, they only focused on the human resources used and ignored whether any additional financial costs had risen. For example, EA6 stated that "I do not think there were additional costs, even with the increased disclosure, because the [segmental] information was prepared by the same staff". EA9 focused on financial costs; he stated that there was "no change, unless the company dramatically re-defined its segments". Overall, interviewees argued that the costs of preparing

[118] The other four preparers answered "yes" without providing any further details or without expanding on their replies. Moreover, P4 only answered "no"; he did not elaborate on this point.

segmental information had not increased greatly because of IFRS 8 with the exception of expenditures associated with re-categorising company segments. Thus, the additional information disclosed under IFRS 8 as shown in Chapter 6 appeared to be cost effective; the cost associated with segmental information disclosed under IFRS 8 may therefore not detract from the usefulness of this for users of financial statements.

As Chapter 6 highlighted, the JSC requires listed companies to provide a note in their annual reports about new standards and amendments issued by the IASB but not yet adopted (JSC, 2002). In any financial year, listed companies also have to provide information in a note about the adoption of new and revised standards that became effective in that period with a brief description about their impacts (JSC, 2002). Column D of Table 7.3 illustrates that some 14 out of 15 external auditors and preparers (93%, expect P4) agreed that Jordanian listed companies had added an explanation about IFRS 8 in their annual reports for 2009. However, they argued that this explanation was very short and hence was ‘cost neutral’. For example, P1 stated that “there had been a note, but it was brief -only two lines- that explained about the management approach adopted”; he indicated that “the user was more concerned about the impact of this standard on the company's results than about [the contents of] the standard itself”. P2 agreed with this view; he argued that investors in Jordanian listed companies did not care about how standards worked; rather they were concerned about how a standard impacted on the profit of a company.

P4 was the one exception to this general concusses; he argued that his services-based company did not provide a brief description about IFRS 8 although it did adopt “the new standards that were issued by the IASB”. In other words, his firm flagged that IFRS 8 was now effective but without adding any information on how this standard was implemented or how it had altered results.

External auditors indicated that Jordanian companies were required to include an explanation about the new standard in accordance with the JSC Securities Law of 2002; however, they indicated that not all listed companies initially intended to provide such information in their 2009 annual reports. For instance, EA1 stated that:

> "Yes they explain about this standard [IFRS 8] and other standards, but if they did not, we notify them to do so. It is my responsibility [as an external auditor] to notify them".

EA4 said that Jordanian listed companies explained about IFRS 8 in vague terms, but this had to be done by all companies because of the legal requirements (Securities Law). EA7 and EA8 agreed with EA4 but suggested that not all companies disclosed such information even after having this omission pointed out. However, they highlighted that compliance varied from one sector to another. For example, they stated that not "all banks had complied with this [securities law requirement]".

Overall the findings in Table 7.3, indicate that most interviewees reported that IFRS 8 was not a problematic standard (Column A). One reason why the standard may not have caused difficulties was that most external auditors and preparers received training from their businesses, JACPA or private training centres (Column B). The users argued that IFRS 8 was a typical disclosure - based standard as they responded negatively to a question about concerns with the introduction of IFRS 8; however, most gave no reasons as to why IFRS 8 was unproblematic. The one exception was U13 who although content with the standard, was worried that "not all companies were applying it". In other words, he viewed IFRS 8 as uncontroversial but had concerns about companies which did not provide any segmental information in their financial statements.

According to the interviewees, under IFRS 8 companies incurred additional financial costs associated with the re-classification of company segments when preparing information for the annual report but there were no extra human resources expenditures associated with IFRS 8 relative to IAS 14R (Column C). This result is somewhat surprising since one would have thought that no ‘additional’ information had to be produced under IFRS 8 or no segment re-classification was required since the standard only requires information currently reviewed by the CODM to be published; the data should already have existed. There are two possible interpretations of this result. First, Jordanian companies took the opportunity afforded by the introduction of the new standard to see whether their reporting might be different from that mandated under the previous standard - IAS 14R. Second, companies may have been worried that commercially sensitive results which were currently seen by the CODM might put them at a disadvantage and altered the data supplied to the decision maker within the firm to avoid its publication.

External auditors observed that some preparers provided an explanation about IFRS 8 in their 2009 annual reports, but compliance with this requirement was not uniform across all sectors of the ASE (Column D); this finding matches the disclosure index results in Chapter 6 which documented that some companies had not provided information about the future impact of IFRS 8 in their annual reports for 2009. Finally, and perhaps most interestingly, preparers believed that companies changed their internal reporting practices in the year when IFRS 8 was introduced (Column E). They suggested that segmental information reviewed by the CODM altered presumably to avoid having to publish disaggregated data in their financial statements, and that might effect the usefulness of segmental information for decision making needs.

7.4 Contents of IFRS 8

In the second part of the interviews, the participants were asked a number of questions about the detailed contents of IFRS 8. In particular, the interviewees' thoughts about the key features of IFRS 8 were ascertained: the management approach, the use of non-IFRS measurements for segmental disclosures and the identity of the CODM[119]. Finally, the external auditors and preparers were asked whether firms were placed at a greater competitive disadvantage because of disclosures required under IFRS 8, and about the level of consistency between internal reports and published financial information. The answers to these questions are summarised in Table 7.4.

IAS 14R defined reportable segments according to a two-tier approach as described by Street and Nichols (2002). Companies had to choose either business class or geographic activities as their primary segments; the segment type not selected as the primary segment was then used to identify the secondary segment. Identifying segments required preparers to consider "the predominant source and nature of risks and differing rates of return facing the entity" (IASC, 1997, para 27). By contrast, the new standard (IFRS 8) requires segments to be identified in accordance with the

[119] The absence of mandatory geographical operating segments is discussed in Section 7.5 which examines the quality and quantity of segmental information disclosed under IFRS 8.

management approach. Jordanian entities are now required to disclose segmental information which is consistent with how management views the entity based on its internal reports.

Table (7.4) IFRS 8 Contents: Summary Answers						
Column	**A**	**B**	**C**	**D**	**E**	**F**
	Management approach in IFRS 8 better than IAS 14R approach	**Employ/Observe Non-IFRS**	**Who is the CODM / disclosing his identity in the annual report**	**Problems [for preparers] with interpreting the standard in relation to geographic entity-wide disclosures**	**level of competition under IFRS 8**	**Increased the consistency between internal and published information (P)**
EA 1	Yes	No	CEO/Not all companies	No	No difference	N/A
EA 2	Yes	No	CM/Yes	Yes	More	N/A
EA 3	Yes	No	CEO/Yes	Yes	More	N/A
EA 4	Yes	No	CM/No	Yes	More	N/A
EA 5	Yes	No	CM/Yes	Yes	More	N/A
EA 6	Yes	No	CEO/Not all companies	No	More	N/A
EA 7	Yes	No	CEO/Yes	Yes	More	N/A
EA 8	Yes	No	CEO/Yes	No	More	N/A
EA 9	Yes	No	CM/Yes	No	More	N/A
P 1	Yes	No	CEO/Yes	No	More	Yes
P 2	Yes	No	CEO/Yes	No	More	Yes
P 3	Yes	No	CM/No	No	More	Yes
P 4	Yes	No	CEO/No	No	No difference	Yes
P 5	Yes	No	CEO/No	No	More	Yes
P 7	Yes	No	CEO/Yes	No	More	Yes
U 1	Yes	No	BoD/Yes	N/A	N/A	N/A
U 2	Yes	No	CEO/Not all companies	N/A	N/A	N/A
U 3	Not answered	No	GM/Not all companies	N/A	N/A	N/A
U 4	Yes	No	CEO/Yes	N/A	N/A	N/A
U 5	No	No	BoD/Yes	N/A	N/A	N/A
U 6	Yes	No	CEO/Yes	N/A	N/A	N/A
U 7	Yes	No	CEO/Yes	N/A	N/A	N/A
U 8	Yes	No	CEO/No	N/A	N/A	N/A
U 9	Yes	No	CM/No	N/A	N/A	N/A

U 10	Yes	No	CM/Yes	N/A	N/A	N/A
U 11	Yes	No	CEO/No	N/A	N/A	N/A
U 12	Yes	No	CEO/Not all companies	N/A	N/A	N/A
U 13	Yes	No	CM/Yes	N/A	N/A	N/A
U 14	Yes	No	GM/Yes	N/A	N/A	N/A

Note: This table shows summary answers of respondents about the contents of IFRS 8 and covers whether: management approach better than the two-tier approach under IAS 14R; observed/employed non-IFRS measurements; who is the CODM; geographic entity-wide disclosures matters; level of competitive disadvantage under IFRS 8; and level of consistency between internal and published financial information. EA refers to external auditor, P refers to preparers and U refers to users, CEO refers to Chief Executive Officer, BoD refers to Board of Directors, CM refers to Committee, GM refers to General Manager and N/A refers to Not Asked. Colum F is only relevant for preparers. See Appendix 2.3 for relevant semi-structure interview questions.

The UK regulatory authorities have expressed concern about "how companies are reporting the performance of key parts of their business in the light of the introduction of IFRS 8's management approach" (FRRP, 2010). Column A of Table 7.4 indicates that some 93% of the interviewees believed that the management approach of IFRS 8 was more appropriate than the criteria specified in IAS 14R for identifying entity segments. Crawford et al. (2010a) reported similar findings when they conducted interviews in the UK, before the introduction of IFRS 8; a majority of their interviewees suggested that the introduction of the management approach for the identification of operating segments was "unproblematic". According to the current study, the external auditors found that IFRS 8 was an improvement because it served the needs of management and users of financial statements. Moreover, EA1 and EA6 viewed the management approach as superior since it forced the company to disclose segmental information that the company previously may not have wanted to publish. For example, EA6 stated that "[IFRS 8 is better], because it helps internal reports to be published". P1, P2, P5, P6 and P7 suggested that the IFRS 8 approach was "more flexible for identifying the company's segments" (P5). P4 argued that the management approach "accurately represented the operating performance of the company". Moreover, P2 suggested that the management approach would compel the preparer of the financial statements to better understand his company's operations and structure. Specifically he stated that:

> "Yes [it is better], because most of the data were already prepared for internal purposes, and a review of these data for publication by the preparer will therefore allow them to better understand the company's performance…".

In other words, preparers found the management approach a useful tool for reviewing the information which was prepared for the CODM and for evaluating the opportunities of existing internal segmental structures.

A majority of financial statement users were also positive towards the approach employed in the new standard (IFRS 8); most expected "the disclosure of segmental information to increase" (U8), because they thought that segmental information would "become more organised and better explained" (U7), because the segmental information published would "provide a better forecast about the company's performance in the future" (U14) and because the segmental information disclosed was "more transparent" (U14). In other words, they argued that the quality of segmental information would increase due to the management approach adopted by IFRS 8. Moreover, U6 and U13 argued that the approach of the new standard was associated with the IASB's strategy of satisfying "user's decision making needs" (U13); they argued that the IASB had been correct to issue this standard. However, U6 added that the proportion of firms complying with the requirements of this standard varied from one sector to another; thus, although the management approach was welcomed, its benefit for users would be diminished if firms were not implementing it fully:

> "Logically its better and it fits in with the objective of the IASB. Unfortunately, the percentage of firms applying it and the degree of compliance with this standard [requirements] varies among companies and across the different sectors that listed in the ASE".

U5 didn't find "a significant change" in the quantity of segmental information disclosed in companies' 2009 annual reports; and thus he concluded that the management approach did not make any difference to his information needs.

However, U5 was in a minority among the users interviewed since most users thought that the management approach was beneficial.

IFRS 8 permitted the reporting of non-IFRS measures for segmental data purposes if that information was regularly reviewed by the CODM. Crawford et al. (2010a) indicated that a majority of interviewees were concerned about differences between non-IFRS segmental information and the figures reported in the consolidated financial statements. However, in the current study none of the respondents' observed/employed non-IFRS measures for any segmental disclosures in 2009 (Table 7.4, Colum B). Thus, this observation suggests that internally produced information about operating segments for the CODM was prepared on an IFRS 8 basis. Perhaps the preparers were worried about any confusion that segmental information prepared on a non-IFRS basis might cause. Thus, one of the aspects of the management approach seems to have been the impact of external reporting requirements on the internal management accounting system. The respondents believed that IFRS measures had been employed when disclosing segmental information for three primary reasons: (i) auditing purposes, (ii) taxation purposes and (iii) avoiding the cost associated with any reconciliation. For example, EA3 argued that non-IFRS measures were not used in the financial statements of Jordanian listed companies to "avoid a qualified external audit report in the [company] accounts". He seemed to believe that deviations from IFRS might give rise to queries from the auditors despite the fact that non-IFRS measures were permitted by IFRS 8. EA6 attributed it to reluctance among companies to select non-IFRS measures which would require "settlements between normal profit and taxable profit". According to the interviews, preparers were uncomfortable with non-IFRS measurements for the same reasons. For example, P7 stated that:

> "No, [the company did not employ non-IFRS measurements] for taxation and auditing purposes. This would also have required adjustments by the company and generated additional costs that could be avoided".

Moreover, P2 added that his firm had not used any non-IFRS measurements for segmental reporting in order to apply the same accounting policies and principles for all financial information disclosed; he stressed "the principle of consistency and stability" in arriving at his decision.

Users agreed with the views expressed by the external auditors and preparers on this issue. They argued that non-IFRS measurements would lead to "negative comments on their financial statements and [worries about the implications for] tax purposes" (U2). In addition, Jordanian listed companies would have incurred "additional costs for settlements with the main financial statements" (U7) if non-IFRS measures were employed. Further, U6 -an analyst- argued that a set of financial statements including a mix of IFRS and non-IFRS information might have been confusing to users:

> "No [I did not observe any non-IFRS measurements], because IFRS is the foundation that is very hard to change. I think it's difficult to change the basis [of preparation] for financial statements. For example, the accruals basis is a fair principle for sales, expenses and other items; even if the standard allows changing the basis [of reporting] you should avoid this since IFRS are the basics that we all know. I think that if some items are on a non-IFRS basis this will negatively affect the financial position of a company such as the cash basis".

However, U6 was the only user to put forward this reason against employing non-IFRS measurements. Another analyst who expressed a minority opinion, (U8), added that external auditors and preparers should use IFRS measurements because they "are committed to international accounting standards". He suggested that "IFRS [was] fair, and a [preparer] would need to get the approval of the external auditor [to use non-IFRS] and this might be difficult".

According to IFRS 8, "An operating segment is a component of an entity that (i) engages in business activities from which it may earn revenues and incur expenses (ii) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decision about the segments and (iii) for which discrete financial information is available" (IASB, 2006a, para 5). IFRS 8 does not specify the identity of the 'chief operating decision maker'; it simply states that "it is not necessarily a manager with a specific title". However, it suggests that it "may be the chief executive officer or chief operating officer but, for example, it may [also] be a group of executive directors or other" (IASB, 2006a, para 7).

Preparers of financial information need to be clear on who the CODM is in order to ensure that any information which is communicated to users can be understood and interpreted appropriately (FRRP, 2010). Knowing the identity of the CODM may supply context for any segmental information which is disclosed. However, many interviewees argued that Jordanian firms did not disclose the identity of the CODM or specify which internal function it related to in their 2009 annual reports. Specifically, Column C of Table 7.4 shows that although 74% of external auditors and users observed that the identity of the CODM was mentioned in annual reports, only three[120] out of the six preparers indicated that such information was disclosed in their 2009 accounts; three of the preparers suggested that this information was not needed for users' decision making. For example, P5 stated that:

> "No [the company did not disclose the CODM's identity], because I think that this information is not useful to the investor in making investment decisions".

Indeed, two external auditors and three users noted that some firms did not supply this information. For instance, EA1 argued that "unfortunately, not all companies disclosed the CODMs identity" (EA1) which hindered the evaluation of the segmental data provided; they queried the usefulness of seeing the segments "through the eyes of the CODM" if one did not know who that individual or group was.

The interviewees were not unanimous in their beliefs about who the CODM should be (Table 7.4, Column C). A majority thought that it should be the company's CEO (58%), while a minority thought that it could be a Committee (CM) (28%), the General Manager (GM) (7%) or the BoD (7%). Most, therefore, associated the position of CODM with the CEO. For example, EA3 stated that it "must be the CEO in conjunction with [those in change of] the internal control of the company". Users also suggested the CEO was the best person "for this role" (U12) as he or she would be "the most knowledgeable about the company's operations and structures" (U7). U2 believed that the CEO was the best person to be the CODM on the basis of what he observed at quarterly investor meetings; he stated that:

> "In my opinion, the CODM should be the CEO. When we [investors] attend the quarterly meetings of a company, we find that the CEO is one who talks about the company's operating performance. So I think

[120] Two out of these three preparers are working in service companies and one is working in an industrial company; in other words, the two preparers that worked in the banking sector argued that the identity of CODM had been disclosed in their firm's 2009 annual reports.

> that the CEO is the most familiar person with the company's operations and activities".

This view supports the findings from the disclosure index results presented in Chapter 6; according to the index results, for a majority of Jordanian listed companies that provided details about this function their CODM was the company's CEO.

A number of other interviewees qualified their support for the CEO being the CODM (Table 7.4, Column C). For example, P5 and P7 argued that the CODM should be the CEO, but suggested that this decision should be "acknowledged by the BoD" (P5) and the internal reports viewed by the CEO acting as CODM should be "delivered to the BoD for approval" (P7). In other words, these preparers believed that the CEO should be the CODM, but suggested that all the internal reports prepared for him/her in terms of segment identification and segmental disclosures should be approved by the BoD before getting published. However, P1 offered a different view. He argued that:

> "For the purpose of [deciding who the CODM is], a committee had been formed and recommended that the bank's segments be reclassified, but the CEO is the CODM who accomplished the recommendations and he is the final decision maker".

Column C of Table 7.4 shows that some 28% of interviewees believed that the CODM should be a Committee as that makes the process of determining segments under IFRS 8 "more doable" (U10); these respondents posited that a Committee takes "more strategic decisions" (EA5) and that "individual decisions of one person have the potential for significant errors" (U13). Moreover, these interviewees stated that the committee would probably include the CEO, CFO and the GM or BoD. For example, EA2 stated that "I think [that the CODM] should be a group made up of the CFO, the

CEO and the general manager. I believe with the existence of this group will know at great deal about the activities of the company". P3 argued that "for the purpose [of complying with IFRS 8 in his company], a committee had been set up by the Board of Directors, consisting of the CEO, CFO and BoD".

While some users agreed with certain preparers that the CODM should be a committee, they were sceptical about whether this would ensure that any segmental information disclosed was useful. For instance, U10 believed that "the CODM must be a group not a single person"; he thought that the group should be the CEO and the CFO on the grounds that they had the power to structure their company in a particular way. U13 agreed and argued that:

> "The CODM should not be one person; it must be a committee of the BoD, the CFO and the CEO. Decisions by individuals can lead to significant mistakes".

U3 and U14 believed that the CODM was the company's GM as he is "the most knowledgeable person about [and in] the company" (U3) and "has more authority than anyone else" (U14). Finally, U1 and U5 expressed the opinion that the CODM should be the company's BoD, however, U5 stated that "in practice, it would probably be the CEO".

IFRS 8 requires geographic entity-wide disclosures where "an entity's reportable segments may hold assets in different geographical areas and report revenues from customers in different geographical areas, or more than one of its reportable segments may operate in the same geographical area" (IASB, 2006a, para 31); specifically, the new standard specifies that revenues from external customers and assets must be published (IASB, 2006a, para 33). An analysis of Column D in

Table 7.4 reveals that none of the preparers of financial statements encountered any problems with the publishing of geographic entity-wide disclosures in their 2009 annual accounts. Specifically, P4 and P7 provided two main reasons for this conclusion. First, they pointed out that "geographical segments which were identified on the basis of the previous standard [IAS 14R[121]] could also be used for the new standard" (P4). Thus, P4 did not think that requirement of IFRS 8 created any additional work for disclosing companies. Second, P7 argued that "the requirements of the EWDs were similar to the secondary segmental disclosures in the previous standard such as revenues and assets". Therefore, he did not believe that there was "any significant change in the geographical area disclosures" (P7).

In contrast, four out of five external auditors believed that preparers of Jordanian listed companies did have problems when distinguishing between geographic segments and entity-wide disclosures because they did not fully understand the requirements of the standard (EA4, EA5 and EA7) and had not changed the company's internal reporting systems for IFRS 8 (EA3). For example, EA4 stated that "Yes some companies [had problems]. Unfortunately, there was a lack of understanding of the standard by some preparers of financial statements". EA5 suggested that JACPA should have provided more training for preparers to improve "the understanding of the standard by preparers of financial statements". In general, he argued that "there should have been more training for the preparers by JACPA as what they had done [was] not good enough". EA3 noted that:

> "[Some companies experienced difficulties] because I think they had problems in changing their internal system to fit with requirements of

[121] Under IAS 14R, data on external revenue, assets and capital expenditure were required for the secondary segment.

> the entity wide geographic disclosures, and therefore there was a conflict in the financial statements of some companies that I audited".

Column E of Table 7.4 indicates that some 87% of external auditors (8) and preparers (5) believed that Jordanian listed companies experienced a greater level of competition from segmental disclosures under IFRS 8 in their 2009 annual reports than in their 2008 financial statements prepared under IAS 14R. Among the external auditors, EA4 and EA9 believed that the segmental information issued under IFRS 8 was "sensitive". In particular, EA9 argued that "the information produced under IFRS 8 was somehow private" since it related to internally reviewed data. He suggested that "if company B analysed the financial statements of company A, it would know where company A is focusing on [and which] revenues come from which operating activity; that may affect company A". EA6 found "the banking sector to be the most affected" by IFRS 8. However, EA1 disagreed with this view; he suggested that most of the banks simply employed the "outside Jordan" definition when reporting entity-wide disclosures in 2009 which is exactly what they had published as secondary segmental data in 2008. Thus, he believed that other sectors increased their disaggregated information to a greater extent than banks with the introduction of IFRS 8:

> "I think that some banks did not disclose where specifically [they conducted business] outside Jordan, perhaps for competitive reasons. I do not think that the level of disclosure has changed [in banking sector], but perhaps in other sectors especially industrial companies it has increased".

Among preparers, P1 who worked in banking sector assumed that the banks followed the CBJ's instructions about IFRSs when complying with IFRS 8; he argued that "overall competitive disclosures increased in the banking sector". Indeed, P3 believed that all segmental information under IFRS 8 was more comparable; thus, he argued that this increased competitive pressure in his services sector as "competitors would be able to better compare the results of his firm with other counterparts in the industry".

P5 expressed a different opinion on this matter; he suggested that the level of competition only changed if the number of items disclosed for various segments increased. In particular, he stated that:

> "I believe that an increase in the number of items published per segment will lead to greater competition, especially in the banking sector. The disclosure of segmental information has grown under this standard, because the [extra] internal information prepared for the operating decision maker is now published about the company's policies".

According to 93% of the preparers and external auditors, competitive disadvantage as well as competition increased under IFRS 8; the respondents believed that competitive disadvantage could be problematic in terms of the quality of segmental information provided. Specifically, they suggested that competitive disadvantage might constrain the decision-usefulness of segmental information provided by firms.

The management approach requires that financial information "be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments" (IASB, 2006a, para IN5). This is an attempt by the IASB to improve the consistency between internal reports and financial information disclosed to the public. Colum F of Table 7.4 shows that all preparers believed that the IFRS 8 approach increased the level of consistency between internal and published information. For example, P5 stated that "there was greater consistency between internal and published segmental information because all the internal information was published".

In summary the results in Table 7.4, showed that a majority of the interviewees found that the IFRS 8 approach improved on the approach mandated in IAS 14R because the new standard let users see the information provided to the management (Column A). According to the interviewees, none of the Jordanian listed companies employed non-IFRS measurements (Column B); in this respect, the companies were cautious about the information reported both because the users might be dissatisfied and because the auditors might have reservations. A majority of the interviewees believed that the CODM is the company’s CEO (Column C). All preparers expressed no problems with geographic entity-wide disclosures, but the external auditors argued that this might have been due to a misunderstanding about IFRS 8 entity-wide disclosures among preparers of financial statements (Column D). Under IFRS 8, respondents believed that firms in certain sectors of the ASE had been placed at a greater competitive disadvantage by disclosing sensitive information (Colum E). Finally, preparers found that the consistency between internally and externally published reports had increased in the year of IFRS 8’s introduction (Colum F). According to the perceptions of the interviewees in this section, the IFRS 8 management approach was more useful for decision making compared to the risk-return approach of IAS 14R. However, competitive disadvantage might limit the usefulness of this segmental information for investors in the long term.

7.5 Views about the Quality and Quantity of Segmental Information under IFRS 8

In the third part of each interview, questions were asked about whether the number of segments, or the quality of segmental information had changed under IFRS

8. In addition, views were sought about the absence of mandated geographic information in IFRS 8. Finally, perspectives of the auditing profession were ascertained about any impact the new standard might have had on Jordanian company audits. Table 7.5 provides a summary of interviewees' answers to these questions. Prior studies on the impact of SFAS 131 in the USA have shown that the total number of segments reported and the total number of items per segment increased significantly under SFAS 131 (Herrmann and Thomas, 2000a). In addition, they found that the consistency of segment information with other parts of the annual report improved when the management approach was adopted by the US standard setter (Street et al., 2000); as a result, they suggested that audits had become more straight forward.

In the current study, a majority of the interviewees suggested that, in their opinion, the number of segments for which information was provided in financial statements had increased with IFRS 8. In addition, they argued that the quality of segmental information improved following the introduction of the new standard. Specifically, Column A of Table 7.5 shows that 76% of the interviewees[122] believed that the number of segments increased following the adoption of the new standard. For example, EA1 stated that this rise was "more [pronounced] for the banking sector, than for listed companies in other industries". EA3 agreed with this suggestion; he stated that "there was an increase in the number of segments but not for all companies; some companies still disclose information for the same number of segments as previously [under IAS 14R]". P4 believed that any increase in disclosure related primarily to "business segments", while U7, an analyst, suggested that "the

[122] Five out of these 22 interviewees argued that the number of segments for which information was provided increased but not for all Jordanian listed companies.

increase was relatively small; it amounted to a change of only 1 – 2 [segments]". The analyst U6 who is a specialist in the financial services sector found that the number of business segments had initially increased but that this increase was temporary; a decrease was evident during the current financial crisis for most of these companies' geographic operations; specifically, he stated that:

> "During the current financial crisis, a percentage of financial services companies have reduced the spread of their geographic activities and the number of geographic segments has declined as a result in 2009".

Column B of Table 7.5 reveals that some 91% of the external auditors and users argued that the quality of segmental information in annual reports for 2009 improved with the introduction of IFRS 8; the information provided became more useful for decision making. For instance, EA5 stated that "there was a massive improvement in the amount of segmental information" while EA8 found that "the quantity of segmental information had risen"; indeed, EA9 argued that segmental information under IFRS 8 was "better and more accurate". U13 suggested that the quality of segmental information under IFRS 8 gave "the investor a broader idea about the company's operational performance".

By contrast, three external auditors, one preparer and three users argued that there was no difference in the number of segments for which information was disclosed (Table 7.5, Column A); they believed that "any increase in the number of segments employed was related to an increase in a company's activities, and not because of the application of new standard" (P7). One user suggested that the application of IFRS 8 had an adverse impact on the quality of segmental information published and one user found no difference in the quality of segmental information provided in 2009; for example, U9 stated that in "this fiscal year [2009], segmental information had not exhibited any significant change”. However, the disclosure index analysis in Chapter 6 found that both business and geographic disclosure increased in annual reports for 2009 under IFRS 8 compared to the annual reports of 2008 under IAS 14R. These findings are more in tune with views of the other 22 interviewees who reported that the number of segments increased in 2009 under IFRS 8.

Table (7.5) Quality and Quantity of Segmental Information Under IFRS 8: Summary Answers						
Column	**A**	**B**	**C**	**D**	**E**	**F**
	Change in number of segments	**Improvement in the quality of segmental information**	**Disclose geographic information under IFRS 8**	**IFRS 8 disclosures can be effectively regulated as part of the external audit/harder to auditing it (EA)**	**Segmental information received by the CODM changed (P)**	**The identity of segments varied from 2008 (U)**
EA 1	More	Better	Yes	Yes/No	N/A	N/A
EA 2	No difference	Better	Yes	Yes/No	N/A	N/A
EA 3	More (not all)	Better	Yes	Yes/No	N/A	N/A
EA 4	More	Better	Yes	Yes/No	N/A	N/A
EA 5	More (not all)	Better	Yes	Yes/No	N/A	N/A
EA 6	No difference	Better	Yes	Yes/No	N/A	N/A
EA 7	No difference	Better	Yes	Yes/No	N/A	N/A
EA 8	More	Better	Yes	Yes/No	N/A	N/A
EA 9	More	Better	Yes	Yes/No	N/A	N/A
P 1	More	N/A	Yes	N/A	No	N/A
P 2	More	N/A	Yes	N/A	Yes	N/A
P 3	More	N/A	No	N/A	Yes	N/A
P 4	More	N/A	Yes	N/A	Yes	N/A
P 5	More	N/A	Yes	N/A	Yes	N/A
P 7	No difference	N/A	Yes	N/A	No	N/A
U 1	More	Better	Yes	N/A	N/A	Yes
U 2	More (not all)	Better	Yes	N/A	N/A	No
U 3	More (not all)	Better	Yes	N/A	N/A	No
U 4	More (not all)	Better	Yes	N/A	N/A	Yes
U 5	No difference	Worse	Yes	N/A	N/A	No
U 6	More	Better	Yes	N/A	N/A	Yes
U 7	More	Better	Yes	N/A	N/A	Yes
U 8	More	Better	Yes	N/A	N/A	Yes
U 9	No difference	No difference	Yes	N/A	N/A	Yes

U 10	No difference	Better	Yes	N/A	N/A	No
U 11	More	Better	Yes	N/A	N/A	Yes
U 12	More	Better	No	N/A	N/A	Yes
U 13	More	Better	Yes	N/A	N/A	Yes
U 14	More	Better	Yes	N/A	N/A	Yes

Note: This table shows summary answers of interviewees about the quality and quantity of segmental information under IFRS 8 and covers questions asked about: number of segments; quality of segmental information; absence of geographic information; IFRS 8 disclosures and creditability of auditing profession; segmental information changed by the CODM; and identity of segments. EA refers to external auditor, P refers to preparers, U refers to users and N/A refers to Not Asked. Colum E is only relevant for external auditors, Colum E is only relevant for preparers and Colum F is only relevant for users. See Appendix 2.3 for relevant semi-structure interview questions.

Geographic segmental information is not mandated under IFRS 8, unless reviewed by the entity's CODM. Despite this absence of an explicit requirement to supply geographic segmental information, Column C of Table 7.5 explains that 93% of interviewees (expect P3 and U12) believed that Jordanian listed companies still disclose such data in their 2009 annual reports. Several external auditors argued that "these data was already prepared" (EA9) despite not being stipulated by IFRS 8 such that its publication was not a surprise. EA1 had a different view. He argued that:

> "Most of the banks have disclosed geographic information inside and outside Jordan [in 2009]. In general, I do not think that management object to disclosing information that may increase the confidence among financial statement users in the company that he/she invests in".

Moreover, Column C of Table 7.5 shows that P1, P2, P4, P5 and P7 agreed with the external auditors that "these data were prepared in advance and already existed" (P1). In addition, P7 added that "geographical information was required on the basis of the previous standard" and his firm "continued to disclose it". U9 agreed with both the external auditors and the preparers that he would have expected the companies he invested in to supply "geographic information with or without [IFRS 8]". However, U4, U3, U5, U7, U8, U10 and U13 argued that not all Jordanian listed companies which operated internationally disclosed geographic information. For example, U4 argued that it "depended on the willingness of the company as to whether or not such information was published". U7 argued that even if geographic information was not mandatory, "some companies would disclose this type of information for marketing and advertising purposes in order to be the most popular firms in Jordan". U8 was disappointed that the banking sector disclosed geographic information but without specific details relating to operations; in other words, he did not approve of the 'outside Jordan' categorisation of segments which most of the banks employed.

Moreover, U1, U2, U6, U11 and U14 believed that their investee firms only disclosed geographic information because they had a good performance to promote and because of investor relations.

According to Column D of Table 7.5, all external auditors suggested that the disclosure of segmental information under IFRS 8 increased the creditability of auditing profession in the minds of users. Specifically, EA1, EA2, EA3, EA4 and EA5 believed that an increase in the items disclosed for each segment "reflected well on the auditing profession" (EA4). EA6, EA 7 and EA8 thought that this positive perception would grow over the longer term as "application of the standard spread and understanding of the management approach grew" (EA7). EA9 provided an interesting example of how IFRS 8 aided the external auditing profession. He stated that segmental information was much easier to audit after the new standard:

> "…For example, external revenues. In terms of segments, I would like to know the source of these distributions. For example, if a company says that they have international revenues of one million in Asia, I take a sample of these that involve Asia to make sure it's actual Asian sales and not American revenues but recorded as Asia. Under the new standard all we have to do is to compare them with preliminary internal reports for the company".

However, four out of six preparers (66%) argued that internal reports received by the CODM were changed before being published for external users[123] (Table 7.5, Column E). They believed that internal reports were produced for internal decision making and not all of this information would be useful for external shareholders (P2, P3 and P4); they suggested that constraints on usefulness of segmental information may occur if the data were too disaggregated. For example, P2 stated that "the purpose of internal

[123] However, all of the preparers argued that the consistency between internally produced and externally published segmental information had increased under IFRS 8 (see Section 7.4).

reports is for ‘private’ decisions such as pricing, competition or to shut down lines of production”; by contrast he argued that “public disclosure of segmental information is for investment and taxation objectives”. P5 suggested that disclosure of all information about segments seen by management would put the firm at a competitive disadvantage:

> “Some of the segmental items are important for external users especially investors, analysts and suppliers. For other items would be too sensitive to disclose. For example, the total amount of external sales was disclosed without explaining the specific geographical areas”.

Just under three-quarters of users believed that the identities of segments in 2009 under IFRS varied from those of 2008 under IAS 14R (Table 7.5, Column F); they attributed this change to the fact that Jordanian listed companies now identified segments based on internal reports provided within the company. For example, U14 stated that most of the companies which he analysed “disclosed how they were identifying their segments on the basis of internal reports… which changed compared with 2008”.

In general, Table 7.5 illustrates that a majority of the interviewees argued that the number of segments disclosed increased (Column A) and the quality of segmental information improved (Column B); the respondents suggested that more useful data were provided for investment decision making purposes. Further, a majority of interviewees believed that Jordanian companies still disclosed geographic segmental information in their 2009 annual reports under IFRS 8 (Column C). External auditors argued that segmental disclosures under IFRS 8 increased the creditability of the auditing profession (Column D), while four out of six preparers believed that internal segmental information received by the CODM had not been changed for external publishing purposes (Column E). Finally, since the published information was based on the internal reports that were reviewed by the company's CODM, the users found that the identities of segments under IFRS 8 in 2009 varied from those in 2008 under IAS 14R (Colum F). According to Ijiri (1983), he suggests that:

> "In a decision based framework, the objective of accounting is to provide information useful for economic decisions. It does not matter what the information is about. More information is always preferred to less as long as it is cost effective. Subjective information is welcome as long as it is useful to the decision makers" (p. 75).

Participants found that the Jordanian listed companies disclosed more disaggregated segmental information in 2009 annual reports compared to published financial statements from 2008 that had been prepared under IAS 14R. Hence, a lot of respondents indicated that segmental information under IFRS 8 was more useful for decision makers; despite the fact that external auditors and preparers worried that such disclosures place firms at a competitive disadvantage.

7.6 The Decision Usefulness of IFRS 8 Information

In the previous sections, respondents indicated that segmental information under IFRS 8 was useful for decision making purposes mainly because the management approach was used. In this section, responses to a number of question are reported where interviewees were asked directly about the usefulness of segmental information disclosed under IFRS 8 relative to data provided under IAS 14R. Specifically, questions were asked about whether IFRS 8 information satisfied the qualitative characteristics of useful financial statement data that were mentioned in the IASB's framework of 1989; whether segmental information in annual reports for 2009 were more or less (i) understandable (ii) relevant (iii) reliable and (iv) comparable for users of financial statements. Moreover, users were specifically asked about whether they examined segmental information and the most useful segment and segmental item which they focused upon for their investment decision making. Table 7.6 supplies a summary of the answers to these questions.

An inspection of Column A of Table 7.6 reveals that 93% of users examined segmental information when making investment decisions; the one exception to this generalisation was U7 who only studied "the size of the company's capital and the income statement" when investing. Of the 13 users who examined segmental information some studied operating profit (U1, U2, U3, U4 and U5), some the main activities of a company (U6, U8, U9, U11) and others, where most of the profits were derived from (U7, U10, U12, U13 and U14). However, U8, U9, U10, U11, U12 U13 and U14 argued that "unfortunately not all companies disclosed such information" (U8); indeed, U10, U11, U12, U13 and U14 believed that some companies who disclosed segmental information did not fully apply or completely understand the requirements of the standard. This conclusion reinforces the findings from the disclosure index results in Chapter 6 which highlighted some companies (from the UD group) disclosed segmental information, but did not identify segments as required under the effective standard. For example, U10 stated that:

> "Yes [I examine segmental information], especially for evaluating the sources of profits and revenues. But unfortunately not all companies disclose this information and even those that do disclose segmental information may not fully apply the standard".

Column B of Table 7.6 indicates that all users prioritised segmental data based on business class over than geographic segmental disclosures[124]. They provided different reasons for this ranking. For example, U5, U6, U8 and U9 believed that insights from

[124] All users answered that the business segment was most important type of information provided. However, U5 and U6 argued that "the geographic segmental information was important, but the most important was the business segments".

business segments “provided a more stable view about the performance of a company” (U5) and “an important part for investment decisions” (U4). Indeed, U1, U2 and U3 believed that since relatively few Jordanian listed companies operated internationally, there was more interest in the activities of business segments[125]. Finally, U12 added his own personal reason, about why he considered business segment data to be more important than its geographical counterpart; he stated that:

> “I do not care where the company operates. What I care about is how much the bank loans business class generated revenues regardless of whether it was generated inside or outside Jordan”.

[125] In fact, U10, U11, U13 and U14 considered “the information about geographic spread to be complementary to details about the business segments” (U10).

Table (7.6) Decision Usefulness; Qualitative Characteristics of Financial Statements Under IFRS 8: Summary Answers								
Column	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**
	Examine segment disclosures for investment decision purposes (U)	**Most useful segmental disclosures for investment decision purposes (U)**	**Most useful segmental item (U)**	**Segmental data more or less Useful**	**Segmental data More or less understandable**	**Segmental data More or less relevant**	**Segmental data More or less reliable**	**Segmental data More or less comparable**
EA 1	N/A	N/A	N/A	More	No difference	More	More	More
EA 2	N/A	N/A	N/A	More	No difference	More	More	More
EA 3	N/A	N/A	N/A	More	Less	More	No difference	No difference
EA 4	N/A	N/A	N/A	More	More	More	More	More
EA 5	N/A	N/A	N/A	More	More	More	More	More
EA 6	N/A	N/A	N/A	More	No difference	More	No difference	More
EA 7	N/A	N/A	N/A	More	More	More	Less	More
EA 8	N/A	N/A	N/A	More	More	More	Less	More
EA 9	N/A	N/A	N/A	More	No difference	More	No difference	More
P 1	N/A	N/A	N/A	More	More	More	More	More
P 2	N/A	N/A	N/A	More	More	More	More	No difference
P 3	N/A	N/A	N/A	More	No difference	More	No difference	More
P 4	N/A	N/A	N/A	More	More	No difference	More	More
P 5	N/A	N/A	N/A	More	Less	More	No difference	No difference
P 7	N/A	N/A	N/A	More	More	No difference	No difference	More
U 1	Yes	Business	Net profit	More	Less	More	More	More
U 2	Yes	Business	Net profit	More	More	More	No difference	More
U 3	Yes	Business	Net profit	More	No difference	More	No difference	No difference
U 4	Yes	Business	Net profit	More	No difference	More	No difference	More
U 5	Yes	Business	Net profit	No difference	No difference	More	More	No difference
U 6	Yes	Business	Revenue (external)	More	Less	More	More	More
U 7	No	Business	Net profit	More	More	More	More	More
U 8	Yes	Business	Assets &	More	More	More	No difference	More

			liabilities					
U 9	Yes	Business	Net profit	No difference	No difference	No difference	No difference	More
U 10	Yes	Business	Revenue (external)	More	More	More	More	More
U 11	Yes	Business	Net profit	More	More	More	More	More
U 12	Yes	Business	Net profit	More	More	More	More	More
U 13	Yes	Business	Net profit	More	No difference	More	More	More
U 14	Yes	Business	Net profit	More	No difference	More	More	No difference

Note: This table shows summary answers of interviewees about the decision usefulness and qualitative characteristics of financial statements under IFRS 8 and covers questions asked about: examine segment information for investment decisions; most useful segment information for investment decision; most useful segmental item; usefulness of segmental information under IFRS 8 compared to IAS 14R; understandability of segmental information under IFRS 8 compared to IAS 14R; relevant of segmental information under IFRS 8 compared to IAS 14R; reliability of segmental information under IFRS 8 compared to IAS 14R and comparability of segmental information under IFRS 8 compared to IAS 14R. EA refers to external auditor, P refers to preparers, U refers to users and N/A refers to Not Asked. Colum A, B and C is only relevant for users. See Appendix 2.3 for relevant semi-structure interview questions.

The researcher also asked users about the most useful segmental item for their analysis and investment needs. Column C of Table 7.6 shows that some 11 out of 14 users (79%) indicated that net profit was the most useful segmental item; they suggested that it was the best indicator for a company's performance and the most important influence on share prices. For example, U12 argued that net profit was the single most important variable, because “the amount of a segment's operating profit was an indicator of the success or failure of the segment”. U14 believed that the “net profit or loss was the main indicator of whether share prices would rise or fall”. On the other hand, U6 gave an analyst's perspective when he suggested that external revenue was the most useful item especially when “associated with the assets and liabilities of a segment”. U10 agreed with this view when he highlighted that:

> “For financial analysts, revenue is the most important variable; if there is no revenue there is no profit. The revenue is the core business of a company; we use segmental revenue for cash flow analysis”.

The analyst U8 had a different view; he indicated that he was interested in segmental assets and liabilities. Specifically, he argued that “the segmental item that I'm particularly interested in is the assets versus liabilities, because it shows you the company's financial situation - whether or not it is good”.

In the current study, all participants were asked a number of questions about the relative usefulness of segmental information disclosed under IFRS 8 compared to that supplied under IAS 14R. A general question was initially posed on this topic. Column D of Table 7.6 illustrates that some 93% of the interviewees thought that IFRS 8 segmental information was more useful for decision-making purposes than segmental details prepared under IAS 14R; only two users believed that there was no difference in the usefulness of the information supplied. External auditors believed that segmental information under IFRS 8 was more useful because “it satisfied the needs of all parties, internal and external” (EA2) and provided a better and more accurate idea about the company’s activities. For example, EA1 stated that the IFRS 8 information was “more comparable because it accurately characterised the company's operational activities”. His job as an external auditor was to audit the financial information provided by the company's management, and he believed that the information under the new standard was “more neutral”. EA3 had a different view. He argued that segmental information under IFRS 8 was more useful for long term investors:

> “For short-term investor he/she only cares about totals [net income] and does not care about the details. But for long-term investors I think it's more useful to know about management’s view of segments for his/her future decision. It's also better for long-term analysis purposes”.

Preparers of financial statements suggested that segmental information under IFRS 8 accurately characterised the performance of the company for users of financial statements. For instance, P4 stated that “the information based on the new standard reflects the company's performance more accurately and therefore helps users to better estimate future cash flows”. However, P3, P5 and P7 believed that segmental information produced under IFRS 8 was more useful for analysts than ordinary investors as it was more detailed and reflected the structure of a company’s internal reports. For example, P5 stated that:

> “I think the information under the new standard is more useful for analysts of financial statements compared with investors or other users... I believe that the [short term] investor cares about reading the totals such as net income and total assets for his/her investment decisions, but for analysts it is more useful to estimate future events because it represents the company’s internal reports”.

Although P2 believed that IFRS 8 was more useful for investors rather than any other users of financial statements, he suggested that its main benefit was in “clarifying details about the concentration of the company's businesses - the where and how of the company’s activities”. However, he did admit that this “depended on the cost allocation employed by the CODM”. All the preparers believed that the segmental information based on the new standard was more detailed and therefore “more accurate for accessing the financial performance of the company” (P1). The perceptions of the preparers in the current study therefore agreed with the views expressed in prior US studies that segmental information prepared under the management approach supplied disaggregated information for analysts and other users of financial statements to examine (Street and Nichols, 2002); this information seemed to help investors better understand an entity’s future performance (Ettredge et al., 2005). P1 also provided a specific reason relating to the Jordanian financial environment as to why segmental information under IFRS 8 was more useful; he believed that IFRS 8 requirements better served the needs of ASE investors and analysts. He argued that:

> “The new standard focuses on disclosing operating revenue, assets, and profit or loss. I believe that these data are most important for investors and analysts in the ASE”.

Some 12 out of 14 (86%) users of financial statements agreed with the external auditors and preparers that segmental information under IFRS 8 appropriately described the company's operating performance and activities. For example, U1 stated that “IFRS 8 data better satisfies the needs of users, because it is more accurate for determining the operational performance and activities of the [segments of the] company”. Moreover, U8 and U12 were of the view that companies now disclosed more details under IFRS 8 which made this information more useful for analysis and investors. Specifically, U8 stated that "anything which makes companies disclose more items is welcome. It helps me in my analysis". U12 found that the requirements of IAS 14R were still being disclosed and companies were providing additional information in order to comply with the requirements of the new standard. This opinion is supported by the disclosure index results in Chapter 6 which indicated that companies disclose significantly more segmental items of information under IFRS 8:

> "It is more useful, because there is more information. I noticed in most of the annual reports that the requirements of the previous standard were still being disclosed along with additional disclosures [of IFRS 8]. This encourages me as an investor to base my investment decisions on this information" (U12).

U10 argued that segmental information disclosed in the annual reports for 2009 was "more reliable, more comparable and better for future expectations", while U14 found the segmental data in 2009 more transparent:

> "Personally I trust the data disclosed under the new standard more than that published under the previous standard. The IASB has developed something new [IFRS 8] to cancel out dated old stuff [IAS 14R], and I think that the new is always better".

The final questions asked respondents whether segmental data in annual reports for 2009 under IFRS 8 had the qualitative characteristics that one would associate with decision useful information; i.e. was it more or less (i) understandable (ii) relevant (iii) reliable and (iv) comparable according to users of financial statements. An analysis of the results in Column E of Table 7.6, reveals that 48% of interviewees believed that segmental information in 2009 was "more understandable" (EA4) and "clearer" (U4) for users. However, P2 argued that it depended on "the user and whether he/she had enough knowledge to read the financial statements"; P7 agreed that "the user had to be knowledgeable about accounting". U14 agreed with P2 and P7 that segmental information had become more understandable but attributed this to improved training for "the user, not the information". U8 held a different opinion. He argued that it would become understandable. He linked it to "using the computer for the first time in trading; it was a difficult process at the beginning, but now is indispensable". He suggested, therefore, that if the user examined a number of annual reports of Jordanian listed companies, the segmental information under IFRS 8 would became more and more understandable.

By contrast, 38% of respondents stated that there was no difference in the understandability of information produced under IFRS 8. The remaining four (14%) interviewers (EA3, P5, U1 and U6) found that segmental information disclosed under IFRS 8 was less understandable (Table 7.6, Column E). For example, EA3 stated that "I think that the previous standard [IAS 14R] was more likely to produce information which users could understand". However, he again suggested that there was a learning effect where "segmental information disclosed under IFRS 8 might be more understandable in the next financial year".

Column F of Table 7.6 shows that a majority of the interviewees believed that segmental information disclosed under IFRS 8 in companies' 2009 annual reports was more relevant for users' decision making needs. In fact, 90% of participants found segmental information to be more relevant for two main reasons. Firstly, the segmental information under IFRS 8 helped users of financial statements to better determine the company's operational performance and activities. For example, EA1 argued that "it was better at determining the company's activities and was more appropriate for users to make decisions". Secondly, external auditors and users argued that it aided users in predicting future events about a company. For instance, EA4 stated that IFRS 8 information was more useful "because it determined the company's future strategies and growth in a better way". U7, an analyst, believed that "since it was more detailed, IFRS 8 information better predicted a company's future plans". In other words, he believed that the greater detail provided had aided in his assessment of a company's future direction. EA7 found that the information provided under the new standard was more relevant for both management and users of financial statements:

> "It is more [relevant], because it sets out clearly what the segments of the company are on the basis of the management approach; management become more aware about its segments because such information will be published. This is reflected in a greater interest in the data among the users of financial statements".

In other words, EA7 argued that the definition of operating segments under IFRS 8's management approach improved the relevance of segmental information for users of financial statements, but under IFRS 8 , the management considered the internal information that reviewed by the CODM since this segmental information will be published (i.e. might derive competitive disadvantage). However, preparers that participated in Crawford et al. (2010a)'s study indicated that information reported internally to the CODM might be manipulated as a result of companies complying with the management approach. Moreover, P3 and P5 believed that the segmental information published under the new standard was relevant for analysts as more data were provided. However, two preparers and one user (P4, P7 and U9) believed there was no difference in the relevance of the information as long as the data 'published was approved' by external auditors.

Column G of Table 7.6 highlights that a majority of respondents also believed that the segmental information disclosed in the annual reports of Jordanian listed companies for 2009 was more reliable for users. Some 55% of interviewees believed that segmental information disclosed under IFRS 8 was more reliable for two reasons; it was more transparent and neutral compared to that published under IAS 14R. For example, EA2 stated that it was "much [more reliable], because it now focused more on the transparency of segmental information". EA5 also saw it as “more [reliable], because these disclosures gave greater transparency because it disclosed the company segments in more detail and with more accuracy”. U14 agreed with EA5 that the disclosure of more information meant that the information was more transparent: “more, because when the management disclose more information, is increasing its transparency, that will offer better decision-usefulness information for a better decision-making process”. P1 believed that “it provides information on the company's operational performance in a more transparent way”. P4, U5 and U13 believed that it is more reliable because it is more neutral (neutrality of segmental information disclosed); for example U13 stated that it was “more neutral, because it was more detailed”. Thus, this interviewee believed that disaggregated information was “free from bias” (IASC, 1989, para 36). Presumably, he believed that detailed information would be subject to less bias since the preparer would know that it might be scrutinised in greater depth. Moreover, 38% of respondents believed that there was no difference in the reliability of the information provided. EA1, EA3, P3, P5, U3, U5 and U2 argued that the disclosed financial information must be reliable in spite of the effective standard. For example, EA3 stated that “all disclosures must be reliable despite the standard applied”. P5 stated that “there was no difference, because the disclosed information was checked and must have a high level of transparency regardless of the standard adopted”. While EA6, EA9, P7 and U4 argued that since financial information was being published and approved by external auditors, there was no difference. For example, P7 argued that “the financial information was reliable as long as it was approved by the external auditor, regardless of the standard applied”. However, EA7 and EA8 found that IFRS 8 served the company’s management needs rather than user's decision making processes. In particular, they identified IFRS 8 as a 'double-edged' standard stated that:

> "We think it's less [reliable], because it serves the management and its goals better than the users. This standard is a double-edged sword, where the disclosure of information that serves their interests [management] in the first place".

Finally, Column H of Table 7.6 explains that 79% of respondents found that segmental information under IFRS 8 was more comparable compared to that supplied under IAS 14R. External auditors believed that it was more comparable for the same project rather than across sectors, while preparers and users found it more comparable across ASE sectors. For example, P4 stated that it was "more comparable across sectors, but not for the same company". Such an observation is surprising since one would have thought that segmental information provided under the management approach might be less comparable across different companies but more comparable over time for the same firm where similar information was being reviewed by the CODM. However, P4 did not share this view. Possibly, he was basing his observation on the fact that there was no time series of IFRS 8 information available since this was the first year when the standard was implemented. U4 argued that he was "investing in all sectors [of ASE] except the banking and insurance sector. [He] found the information [under IFRS 8] more comparable among other sectors in the Jordanian market". Indeed, U6 believed that "for financial analysis purposes, IFRS 8 information was more comparable for companies in the same sector and other sectors [comparing sector X with sector Y]". On the other hand, since the introduction of IFRS 8, EA3, P2, P5, U3, U5 and U14 believed that there was no difference. Currently, they found it is very hard to determine this characteristic for the same company. For example, P2 stated that:

> "The introduction year of this standard is 2009, so I believe this characteristic cannot be determined clearly; especially, for the same company".

In summary, Table 7.6 shows that users of financial statements took the segmental information disclosed into consideration when making their investment decisions (Column A). They were interested in business class rather than geographic segment data (Column B), and the majority of users found that the net segmental profit or loss to be the most important item provided (Column C). According to Sterling (1972), financial statements should "supply information for decisions that are most likely to allow decision makers to achieve their goals" (p. 198). The majority of participants found that segmental information under IFRS 8 satisfied this requirement in that the data provided was more useful than that supplied under IAS 14R (Column D). Furthermore, most believed that IFRS 8 made the segmental information disclosed more (i) understandable (Column E) (ii) relevant (Column F) (iii) reliable (Column G) and (iv) comparable (Column H) for users of financial statements.

7.7 Conclusions

Under IFRS 8, entities are now required to disclose segmental information which is consistent with how management views the entity based on its internal reports. At the time of its adoption, a number of commentators in the UK expressed concerns about the possible reduction in the quality and quantity of segmental information that would be published under IFRS 8 (FRRP, 2010; Crawford et al., 2010a). In addition, concerns were also raised that the identity of the CODM was not specified, disclosure of geographic segments was not mandated, and non-IFRS measurements were permitted for segmental information (IASB, 2006c). In the current study, 29 participants were interviewed for investigating their perceptions and experiences about IFRS 8, specifically nine auditors, six preparers and fourteen users (nine investors and five analysts).

Table 7.3 shows that under IFRS 8 companies suffer additional financial costs by re-identifying the company segments for preparing segmental information argued that there is no human resources costs at all or there is no difference in costs compared to under IAS 14R. External auditors observed and preparers provided an explanation about IFRS 8 in 2009 annual reports, but not for all sectors of ASE. The majority of interviewees found that IFRS 8 was not a problematic standard, external auditors and preparers were having a training about the changes on IFRSs, and majority of users were well experienced about IFRSs.

Table 7.4 illustrates that the majority of interviewees found that IFRS 8's approach was better than IAS 14R because the new standard approach serves the management and users of financial statements, and was not considered a problematic standard. However, a small minority worried that IFRS 8 might allow managers to hide adverse news about certain business units by altering the composition of the operating segments and by varying the information provided to the CODM. Participants' views in the current study are similar to interviewees' perceptions in Crawford et al. (2010a) in their investigation of the likely impact of IFRS 8. A majority of Crawford et al. (2010a)'s respondents suggested that the introduction of the management approach for the identification of operating segments was 'unproblematic'. However, analysts were concerned about differences between non-IFRS segmental information and the figures reported in the consolidated financial statements. According to the interviewees of the current study, none of the Jordanian listed companies employed non-IFRS measurements, they mentioned three main reasons: (i) auditing purposes, (ii) taxation purposes and (iii) companies did not want to have additional costs for settlements with the main financial statements. All preparers did not have problems with geographic entity-wide disclosures, but the external auditors argued that there is a misunderstanding of IFRS 8 entity-wide disclosures by preparers of financial statements. However, external auditors and preparers argued that most of Jordanian listed companies are currently derived more competitive disadvantage as well as level of competition increased under IFRS 8. The preparers who were interviewed in Crawford et al. (2010a) indicated that information reported internally to the CODM might be manipulated as a result of companies complying with the management approach. The current study suggests that such a possibility might act as a constraint on the decision usefulness of segmental information produced under IFRS 8.

Table 7.5 shows that 93% of interviewees believed that Jordanian listed companies still disclose geographic information in 2009 annual reports; although that IFRS 8 did not mandate to disclose geographic information. However, a majority of the interviewees believed that EWDs under IFRS 8 would satisfy their requirements for geographic information. Thus, there was some misunderstanding about the nature of EWDs which IFRS 8 required (if the necessary information is available and cost-effective). Moreover, the majority of interviewees argued that the number of segments disclosed increased and the quality of segmental information improved; became more useful for investment decision needs. They suggested that the quantity of disaggregated information supplied under IFRS 8 had not declined relative to the data provided under IAS 14R. In other words, the majority of participants found that segmental information under IFRS 8 is more useful than under IAS 14R; believed that IFRS 8 makes the segmental information disclosed more (i) understandable (ii) relevant (iii) reliable and (iv) comparable for users of financial statements. This in turn enhances the relevance of the decision usefulness theory as a conceptual framework for IFRSs in general and specifically for IFRS 8.

Finally, Table 7.6 determines that the majority of participants found that segmental information under IFRS 8 is more useful than under IAS 14R. In particular, 48% of participants found that segmental information under IFRS 8 was more understandable, 90% initiated it more relevant, 55% determined it reliable, and 79% found it more comparable; while a number of participants and specifically users found that there was no difference in the level of understandability while some of all groups found that there was no difference in the level of reliability of segmental information under IFRS 8. In general, most interviewees answered this question positively. Specifically, they suggested that data supplied by Jordanian companies for operating segments was understandable, relevant, reliable and comparable both across companies as well as over time. Further, they suggested that the information supplied under IFRS 8 was more useful for decision making than data previously provided under IAS 14R. Hence, this new standard was generally seen to have been an improvement on IAS 14R which it replaced.

Chapter 8

Conclusions, Limitations and Future Research

8.1 Introduction

This chapter summarises the contents of the current thesis and draws out a number of conclusions about the impact of IFRS 8 on the disclosure practices of Jordanian listed companies. In addition, it links this impact with perceptions of stakeholders on the decision usefulness of IFRS 8 segmental information provided under the new standard. The conclusions derived from the empirical findings are presented in Chapter 6 and 7. These findings are interpreted within the Jordanian context which was outlined in Chapter 2. They are also analysed within the context of results from the extant literature which was discussed in Chapter 3. The reminder of this chapter is structured as follows. Section 8.2 provides an overview of the whole study. Section 8.3 discusses the major conclusions which have emerged from this study. Section 8.4 outlines the limitations of the current research, and suggests a number of future avenues that could be developed based on the empirical work in this thesis.

8.2 Overview of the Study

Chapter 1 of the current thesis outlined the objectives and the questions of the research and discussed the importance of the study. In order to help the reader understand the motivations for the work as well as to comprehend the findings, Chapter 2 provided details about the historical background and development of Jordan, including its economic structure, and the influences on financial disclosure within the Kingdom. Specifically, the influence of the JCM, Company Law, the accounting and auditing profession, professional accounting bodies and accounting education are discussed. Chapter 3 reviewed the relevant literature in this area and highlighted the findings of prior studies about segmental reporting standards in both developed and developing countries. In addition, it discussed the results of the relatively small number of investigations that have been conducted on IFRS 8 to date.

Chapter 4 outlined the theoretical framework which underpins the current study of segmental disclosure practices in Jordan. It explained why decision usefulness theory was adopted in the current study: (i) because decision usefulness theory is employed by the IASB (who introduced IFRS 8) in their conceptual framework for the presentation of financial statements and (ii) because previous studies in this area have also adopted the theory when investigating research questions which are similar to the topic of the current study (i.e. Lee and Tweedie, 1979; Barena and Lakonishok, 1980; Appleyard and Strong, 1984; Berry and Robertson, 2006; Suwaidan et al., 2007; Dunne et al., 2008; Kribat, 2009; Finningham, 2010). More importantly, decision usefulness theory accorded with the world view of the researcher and linked well with the research questions being addressed.

Chapter 5 outlined the research paradigms, methodology and methods employed; justifications were provided for the combination of a realism ontology, a positivist epistemology, a deterministic standpoint on human nature and a nomothetic methodology in this thesis. Such assumptions led the researcher to adopt a functionalist paradigm although an interpretive perspective was employed when analysing participant’s views from the interviews; these interviews were conducted in order to achieve one of the two research objectives of this dissertation. Overall, therefore the study adopts a mixture of research methods for triangulation of the data used to address the research questions; namely the disclosure index technique and semi-structured interviews. A description of both of these methods was provided in Chapter 5.

Chapter 6 and 7 presented the results of the empirical work. Chapter 6 analysed segmental information in the annual reports of Jordanian companies before and after the introduction of IFRS 8. Specifically, the level of segmental information disclosed in the financial statements of Jordanian companies in 2008 under IAS 14R was compared with that provided in 2009 under IFRS 8; while Chapter 7 summarised the perceptions of external auditors, preparers and users of financial statements about their experiences with IFRS 8's implementation and their thoughts on the usefulness of segmental disclosures mandated by IFRS 8 in 2009. In particular, their views were ascertained on the decision usefulness of segmental information disclosed under the new standard.

8.3 Conclusions

This section of the chapter attempts to draw out a number of conclusions from the various sets of findings of the two strands of empirical work conducted in this thesis; namely, the disclosure index findings and the semi-structured interview results.

The implementation of IFRS 8 has had a significant and sizeable impact on the segmental disclosure practices of Jordanian companies in their annual reports for 2009. In general, the evidence from Chapter 6 indicates that the Jordanian companies disclosed information concerning more disaggregated segments, provided data on additional segmental items and supplied new EWDs as mentioned under IFRS 8's management approach. Specifically, in 2009, Jordanian companies disclosed the information which had been mandatory under IAS 14R, as well as the new requirements specified in IFRS 8; segmental information reviewed regularly by the company's CODM during 2009 was now published. The scale of the impact in terms of definition of segments for both 2008 and 2009 varied across sectors; most of the differences related to the Financial sector, especially banks, where disclosure increases were more pronounced. Such an increase in disclosure is hardly surprising since previous research by Suwaidan et al. (2007) had discovered that relatively few industrial Jordanian companies complied with IAS 14R; this thesis builds upon Suwaidan et al. (2007)'s investigation since it documents that the most significant impact of IFRS 8 was that it seemed to encourage most companies to comply with the standard in terms of providing segmental data for financial statement users. The evidence from Chapter 7 suggests that a majority of the interviewees attributed this improvement in compliance to the management approach of IFRS 8; this approach was thought to be an improvement on the risk-return approach which had underpinned IAS 14R. The respondents indicated that the quantity and quality of segmental information under IFRS 8 in annual reports for 2009 was "better" than that disclosed in 2008; it was more understandable, relevant, reliable and comparable than the segmental information which had previously been reported. Perhaps one of the reasons for the greater compliance with IFRS 8 and the increased segmental disclosure is that the management approach did not require companies to gather new information; rather the information already supplied to the CODM and which was already available could be disclosed. Thus, the perceptions of the participants in the current study agreed with the prior US studies which found that segmental information published under SFAS 131's management approach supplied more disaggregated information to users of financial statements and therefore helped investors to better understand an entity's future performance (Herrmann and Thomas, 2000a; Street and Nichols, 2002; Ettredge et al., 2005).

The second finding of the current thesis is that the segmental information provided by Jordanian companies under the new segmental reporting standard (IFRS 8) supplied users of financial statements with useful information about these companies. This is not unexpected since the main aim of financial statements produced in accordance with the IASB's conceptual framework is to provide information that is useful to users of such statements for decision making purposes (IASC, 1989). The current research suggests that IFRS 8 was successful in this regards. For example, 10% of the sample companies provided segmental information for the first time in 2009. In addition, new segmental items were disclosed for the first time by Jordanian listed companies under IFRS 8, such as the basis of measurement, interest revenue, interest expense and EWDs. Indeed, the average disclosure index score rose from 18.6% in 2008 to 30.6% in 2009. More importantly, Jordanian companies provided details about more disaggregated business segments (where the mean number of segments rose from 2.4 to 2.7) and geographic segments / EWDs (where the mean number of segments increased from 1.5 to 1.8).

According to the interviewees, this change in the segmental information disclosed during 2009 under IFRS 8 compared to that supplied in 2008 under IAS 14R was dramatic. It provided some indication of a transformation in the attitudes of executives at Jordanian companies for the level of compliance to increase from very little to the provision of a sizeable amount of disaggregated segmental information. This change in the level of compliance may have arisen because of publicity about the new standard from the JSC; this body wanted to show that Jordanian companies were in the lead in terms of compliance with new standards from the IASB in order to attract new (mainly foreign) investors into the Jordan economy. In other words, IFRS 8 may have had an impact on the internal reports of Jordanian companies because of the perceived demand for such disclosures among potential investors.

The evidence from Chapter 6 shows that the Jordanian companies did not employ non-IFRS measurements in their 2009 annual reports (except for one industrial company), although these were permitted under IFRS 8; there was only one exception to this generalisation (The Jordan Cement Factories) where segmental profit was measured differently from operating profit or loss in the consolidated financial statements. But this company did not explain how the two profit measures were different. This finding was confirmed by the results in Chapter 7 where the external auditor and user interviewees indicated that they had not observed any non-IFRS measurements in 2009 annual reports. Preparers supported this contention by indicating that such measurements had not been used when producing financial statements because of fears that non-IFRS data might confuse the reader of annual reports and hinder the usefulness of the financial statements. The Jordanian companies therefore seemed to avoid such non-IFRS measurements in their financial statements because of decision usefulness concerns, even though they were permitted by the IASB. Thus, the concerns that were raised by participants in Crawford et al. (2010a) and the comments on ED 8 about differences between non-IFRS segmental information and the figures reported in the consolidated financial statements did not materialise in the Jordanian listed companies' annual reports of 2009. By contrast, the findings of the current study agreed with Crawford et al. (2010b) that the Jordanian companies had not availed themselves to take the opportunity provided by IFRS 8 to use non-IFRS measurement for segmental reporting purposes. The respondents also believed that IFRS measures had been employed when disclosing segmental information for three further reasons: (i) they were easier to audit, (ii) they formed the basis of taxation assessments and (iii) they avoided the cost associated with any reconciliations. However, another reason behind this choice may have been that Jordanian companies were attempting to present a view of their business performance which would aid current investors with their decisions and help prospective international investors who were looking to acquire shares in Jordan.

The evidence from Chapter 7 also indicated that a majority of the preparer interviewees believed that changes were made in the internal reporting practices of Jordanian companies that complied with IFRS 8's management approach. One of those preparers provided an example of how a new internal system called 'drivers' had been adopted for segmental information. This system worked by constructing a 'driver code' to allocate costs across different segments; for instance this driver code could be on the basis of room size for an electric bill or the number of employers that work in a segment. Moreover, they also argued that IFRS 8 increased the consistency between internally produced and externally published segmental information.

On the other hand, most of the preparers argued that the segmental information reviewed by some of the CODMs changed before the annual reports of 2009 were published. They put forward two reasons for this change; (i) they suggested that constraints on the usefulness of segmental information might occur if the data provided to external users were too disaggregated (or as disaggregated as that seen internally by the CODM) and (ii) disclosure of all information about segments seen by management would put the firm at a competitive disadvantage[126]. These findings suggest that Jordanian firms were cautious about complying fully with the management approach of IFRS 8. Specifically, preparers argued that internal reporting practices had changed in accordance with IFRS 8 and the consistency between internal reports and published segmental information had increased; however, the internal information provided to the CODM had changed (and had become more aggregated) before getting published for fear that competitors might see this data. Such a finding is not unique to IFRS 8 or the Jordanian preparers. For example, even under a previous segmental reporting standard in the UK (SSAP 25), concerns were raised about the disclosure of sensitive disaggregated information in annual reports (Edwards and Smith, 1996). Moreover, the views of preparers that participated in the current study agreed with preparers' perceptions that were expressed in Crawford et al. (2010a)'s study that information reported internally to the CODM might be manipulated as a result of companies complying with IFRS 8's management approach. Thus, the current study suggests that changing the internal report that is reviewed by, and provided to, the CODM before financial statements were published represented a constraint on the decision usefulness of segmental information produced under IFRS 8. More recently, Crawford et al. (2011) have documented that UK companies were anxious about whether IFRS 8 might lead to the publication of commercially sensitive information that could be used by competitors to damage a firm's future prospects. Hence, this issue of changing internal information supplied to the CODM needs to be monitored by the JSC, JACPA and external auditors to ensure that decision relevant information is not being kept from

[126] Interestingly, the interviewees mentioned the issue of competitive disadvantage although there is no "opt-out" from the requirements of IFRS 8 permitted for this reason.

financial statement users. In particular, the JSC may need to monitor the segmental disclosures of listed companies. In addition, JACPA and external auditors may have to provide additional guidance for Jordanian companies about IFRS 8 in terms of how the management approach should operate.

Overall, one of the main findings of this thesis is that the implementation of IFRS 8 did not appear to cause any difficulties for external auditors, preparers and users during 2009; most interviewees reported that IFRS 8 was not a problematic standard. This may have been due to the fact that some external auditors and preparers received training about the standard from their businesses, JACPA or private training centres. Furthermore, users argued that IFRS 8 was a typical disclosure-based standard. Specifically, a majority of the interviewees believed that the management approach of IFRS 8 was a more appropriate basis for identifying segments and deciding on the items to be disclosed for each segment than the criteria specified in IAS 14R. External auditors and preparers, in particular, found that IFRS 8 was an improvement on its predecessor standard because it met the needs of financial statement users and discharged the responsibilities of company executives. Users found that the quality and quantity of segmental information increased under the management approach adopted by IFRS 8; they believed that the disclosure of segmental information increased, published segmental information became more organised and better explained, the segmental information published provided more accurate forecasts about a company's performance in the future and the segmental information disclosed was more transparent. Overall, they suggested that the segmental information reported under IFRS 8 satisfied user’s decision making needs. Crawford et al. (2010a) reported similar findings for the UK, before the introduction of IFRS 8; a majority of their interviewees suggested that the introduction of the management approach for the identification of operating segments would be "unproblematic".

According to the findings of this thesis, the Jordanian listed companies in the sample seemed to go beyond the requirements of IFRS 8 by disclosing the identity of the CODM. Specifically, 29 (62%) of the DF group named the CODM in their financial statements for 2009; 24 (52%) of these companies identified the CODM as the CEO whilst 18 (38.3%) companies did not provide any information about the CODM. Interestingly, the evidence from Chapter 7 agrees with the findings in Chapter 6 which showed that a majority of the interviewees (58%) believed that the CODM should be the company's CEO. The interviewees implied that this kind of information should be communicated to users of financial statements in order to allow them to understand and interpret appropriately the segmental information disclosed. In other words, knowing the identity of the CODM may supply context for any segmental information which is disclosed under the management approach since it may be useful for decision makers' to know about the individual or group who are regularly reviewing the information which gets published.

In general, the findings of this thesis provide a great deal of insight about the impact of IFRS 8 on segmental disclosures for a developing country relative to IAS 14R. It also reports perceptions of external auditors, preparers and users of financial statements about IFRS 8. Thus, the findings of the current research should be valuable for Jordanian policy makers as well as international accounting standard setters at the IASB. It offers relevant insights for law makers (JSC), since it provides some indication about the impact of this new standard. Further, the findings may be helpful for the review of IFRS 8 which the IASB[127] promised to undertake as part of the endorsement process when this standard was approved by the EU parliament[128].

8.4 Limitations and Future Research

As with any research, several limitations exist. In this thesis, there are a number of limitations that need to be pointed out before any judgement about its contribution can be assessed. First, the new standard requires companies to disclose segmental information in accordance with the management approach and applies to all listed companies in countries that are member of IASB; the current thesis only examines the impact of IFRS 8 on a sample of Jordanian listed companies. Although, the results reported may be generalised in terms of the impact of IFRS 8 on annual reports in Jordan, they may not reflect the impact of IFRS 8 in the annual reports of companies in other countries that have adopted IASs/IFRSs. Thus, the findings about the impact of IFRS 8 and its implementation may be limited to Jordan only. Indeed,

[127] The IASB post-implementation review will take place in the near future. A meeting of Trustees' Due Process Oversight Committee was held in January 2012 concluded that such a review was needed in order to consider whether the aims of IFRS 8 were achieved in practice (IASB, 2012).

[128] In late 2011, the ESMA issued its report that investigated the implementation of IFRS 8 in the EU. Specifically, the ESMA provided a post-implementation review about the impact of IFRS 8 on a sample of 118 European listed companies. The report showed that 41% of the sample companies identified the CODM as the company's BoD; the ESMA concluded that this title typically did not include executive members and thus provided an indication that there was some confusion about the definition of the CODM as a result of this standard. Moreover, 47% employed non-IFRS measurements for segmental reporting purposes, however, the reconciliation between the segment information, the amounts reported in the financial statements and the accounting policies followed were not disclosed properly. In addition, 58% provided EWDs in accordance with IFRS 8, but the finer disclosure for individual countries and broader disclosures for regions were less detailed than the previous geographic areas disclosed under IAS 14R. Finally, ESMA also found that a minority of sample companies changed their reporting basis in the mover to operating segments from business activities to geographic areas; specifically, 22 (19%) of sample companies that identified their geographic segments as the primary segment under IAS 14R still disclose their geographic information as operating segments, although there was an absence of explicit requirements for geographic information disclosures under IFRS 8. Overall, ESMA concluded that there were no significant differences in the disclosure practices of EU listed companies under IFRS 8 compared to IAS 14R (ESMA, 2011).

investigations need to be conducted in other countries to see whether or not similar findings emerge.

Second, this study has only focused on the usefulness of IFRS 8 disclosures according to external auditors, preparers and users (investors and analysts) of financial statements; specifically, the perceptions and experiences about IFRS 8 of these groups of stakeholders were ascertained via semi-structured interviews; no attempt was made to assess the usefulness of segmental information reported under IFRS 8 by Jordanian listed companies in their annual reports for other groups such as lenders, suppliers, customers, trade creditors and the general public (IASC, 1989). Thus, a survey about the impact of IFRS 8 on other groups may yield further insights about the decision usefulness of the new standard's disclosures. Such a survey might involve a larger sample than that employed in the current thesis and use the postal system to deliver a more structured questionnaire; of course, response rates to such a questionnaire might be low because Jordanians are not familiar with such research instruments and the culture within the society is relatively secretive (Piro, 1998) and based more on personal contacts.

Third, IFRS 8 became effective on 1 January 2009. This study has only investigated the impact of IFRS 8 for its first year of adoption in the financial statements of Jordanian companies in 2009; analysis of data from subsequent years may be needed before any trends can be confirmed. Companies may need some time in order for any worries about being placed at a competitive disadvantage by IFRS 8 disclosures to dissipate. Further, several years of data produced under IFRS 8 may be needed before researchers are able to adequately assess the usefulness of the information provided. Thus, a longitudinal study of compliance with the new standard on segmental reporting would be helpful to see if the disclosure trends identified as well as perceptions about usefulness in this thesis continue into the future.

Fourth, this thesis focused on the impact of IFRS 8 on the disclosure practices of Jordanian listed companies; no attempt was made to investigate other interesting research issues in the segmental reporting area. Thus, for instance, an examination of the level of competitive disadvantage from segmental information published under IFRS 8 needs to be investigated. In addition, studies about the ability of segmental information produced under IFRS 8 to forecast future earnings, predict firm risk or aid security valuation need to be undertaken in future research. These studies might shed some light on how any IFRS 8 related information is used by and useful to decision makers.

Fifth, the current study did not examine Jordanian listed companies' online segmental disclosure practices for both 2008 and 2009 (i.e. companies' websites). Such disclosure is an important area for the future research to examine. In particular, companies are now using several channels of communication in order to convey information about their performances to investors and other stakeholders. Analyst meetings (Barker, 1999), online reporting (Shepherd et al., 2001) and informal discussions (Holland, 1998) are some of these channels. Presumably, issues relating to the performance of segments arise in these communications but these are not covered in the current thesis.

Finally, the disclosure index method used involved some element of judgment about the items mandated by IAS 14R and IFRS 8 on segmental disclosure; a degree of subjectivity was involved. However, this element of subjectivity was minimised as much as possible by ensuring that the index used in the current thesis was as reliable and valid as possible; Chapter 5 presented the steps followed in order to ensure that the disclosure index yielded reliable and valid measures. Moreover, the disclosure index checklist was prepared based on the disclosure requirements of both standards; voluntary disclosures by Jordanian listed companies were then added. Therefore, it is believed that the disclosure index employed was suitable for the purposes of the research.

In general, this study has a number of limitations that have been recognised by the researcher. Despite these limitations, it is believed that the findings of the study represent a significant contribution to knowledge. It is the first study of its kind in Jordan, exploratory in nature and adds to the growing literature on financial disclosure in general and on segmental disclosure in developing countries in particular. Specifically, the investigation of segmental information disclosures and compliance with a new standard such as IFRS 8 in the annual reports of Jordanian listed companies represents a contribution of the current study. In addition, an assessment of the usefulness of IFRS 8 disclosures according to the perceptions and experiences of external auditors, preparers and users of financial statements has not been previously evaluated for Jordan. The current thesis has therefore contributed to our understanding about the quantity and usefulness of segmental information changes under IFRS 8 compared to IAS 14R; this should add a global picture about how the standard (IFRS 8) was implemented in a developing country. Moreover, this study might be useful for

Jordanian policy makers as well as local, international and potential investors since it provided an objective assessment about the current situation of compliance with segmental reporting requirements among Jordanian listed companies. Future avenues of research can build on the results that are reported for Jordanian companies in the current thesis; it should provide a basis on which future research can build.

List of References

Abdullatif, M. & Al-Khadash, H. A. (2010) Putting Audit Approaches in Context: The Case of Business Risk Audits in Jordan. *International Journal of Auditing,* 14, 1, 1-24.

Abu-Baker, N. (1995) Use of An Accountability Framework as An Alternative Appraoch for Corporate Social Responsibility Reporting and Disclosure Practices in Jordan. School of Accounting and Finance. University of Dundee 'Unpublished PhD Thesis'.

Abu-Nassar, M. (1993) The Development of Financial Reporting in Jordan: a Survey of Preparers' and Users' Attitudes and Reporting Practices. University of Kent 'Unpublished PhD Thesis'.

Accounting Standards Board (1990) Statement of Standard Accounting Practice No. 25 "*Segmental Reporting*", London.

Al-Akra, M., Eddie, I. A. & Ali, M. J. (2010a) The Association Between Privatisation and Voluntary Disclosure: Evidence from Jordan. *Accounting and Business Research,* 40, 1, 55-74.

Al-Akra, M., Eddie, I. A. & Ali, M. J. (2010b) The Influence of the Introduction of Accounting Disclosure Regulation on Mandatory Disclosure Compliance: Evidence from Jordan. *The British Accounting Review,* 42, 3, 170-186.

Al-Akra, M., Jahangir Ali, M. & Marashdeh, O. (2009) Development of Accounting Regulation in Jordan. *International Journal of Accountiing,* 44, 2, 163-186.

Al-Htaybat K (2005) Financial Disclosure Practices: Theoretical Foundation, and an Empirical Investigation on Jordanian Printed and Internet Formats. *School of Management.* University of Southampton 'Unpublished PhD Thesis'.

Al-Kheder, S., Haddad, N., Fakhoury, L. & Baqaen, S. (2009) A GIS Analysis of the Impact of Modern Practices and Polices on the Urban Heritage of Irbid, Jordan. *Cities,* 26, 2, 81-92.

Al-Khouri, R. & Balqasem, M. (2006) The Effect of Timing of Financial Statements Disclosure on Stock Prices and Trading Volume (An Empirical Study on Amman Stock Exchange). *Jordan Journal of Business Administration,* 2, 2, 163-186.

Al-Razeen, A. & Karbhari, Y. (2004) Annual Corporate Information: Importance and Use in Saudi Arabia. *Managerial Auditing Journal,* 19, 1, 117-133.

Al-Shiab, M. (2003) Financial Consequences of IAS Adoption The Case of Jordan. Department of Accounting and Finance. University of Newcastle Upon-Tyne 'Unpublished PhD Thesis'.

Al-Shiab, M. (2006) The Predictability of Amman Stock Exchange Performance: A Univariate Autoregressive Integrated Moving Average (ARIMA) Model. *European Journal of Economics, Finance and Administrative Sciences,* 6, 124-139.

Al-Zubi, K. A., Salameh, H. M. & Hamad, H. A. (2010) Does the Predicating Power of Stock Return in Amman Stock Exchange (ASE) Improved by Using the Artificial Neural Networks ANN. *International Research Journal of Finance and Economics*, 46, 80-97.

Al Nagi, E. & Hamdan, M. (2009) Computerization and E-Government Implementation in Jordan: Challenges, Obstacles and Successes. *Government Information Quarterly,* 26, 4, 577-583.

Ali, M. J., Kamran, A. & Eddie, I. A. (2009) The Adoption of International Financial Reporting Standards (IFRS) in Emerging Economics: The Case For South Asia *Research in Accounting in Emerging Economics,* 9, 1-30.

Alkulaib, Y. A., Najand, M., & Mashayekh, A. (2009) Dynamic Linkages Among Equity Markets in The Middle East and North African Countries. *Journal of Multinational Financial Management*, 19, 1, 43-53.

Almahamoud, S. (2000) The Usefulness of Annual Report Information to Participants in the Saudi Stock Market. School of Business, Cardiff, Cardiff University 'Unpublished PhD Thesis'.

Alvesson, M. & Deetz, S. (2000) *Doing Critical Management Research,* London, Sage Publisher Inc.

Aly, D. & Simon, J.:(2008) Assessing the Development of Voluntary Internet Financial Reporting and Disclosure in Egypt. *The British Accounting Association Annual Conference.* Blackpool - UK.

Amwl Invest (2008) Annual Report of 2008, Amman.

Appleyard, A. & Strong, N. (1984) *The Impact of SSAP 16 Current Cost Accounting Disclosure on Security Prices in Current Cost Accounting: The Benefits and Costs,* London, Institute of Chartered Accountants in England and Wales.

Arab Jordan Investment Bank (2008) Annual Report of 2008, Amman.

Armstrong, M. S. (1977) The Politics of Establishing Accounting Standards. *Journal of accountancy,* 143, 2, 76.

Arnold, J. & Moizer, P. (1984) A Survey of the Methods Used by UK Investment Analysts to Appraise Investments in Ordinary Shares. *Accounting & Business Research,* 14, 55, 195-208.

Association for Investment Management and Research (1993) Financial Reporting in the 1990's and Beyond: A Position Paper of the Association for Investment Management and Research. Charlottesville, VA, AIMR.

Babbie, E. (2007) *The Practice of Social Research,* 11th Edition, London, Thomson Learning Inc.

Balakrishnan, R., Harris, T. S. & Sen, P. K. (1990) The Predictive Ability of Geographic Segment Disclosures. *Journal of Accounting Research,* 28, 2, 305-325.

Ball, R., & Brown, P. (1968) An Empirical Evolution of Accounting Income Numbers. *Journal of Accounting Research,* 6, 2, 159-178.

Barker, R. (1999) Financial Reporting and Share Prices: The Analysts' and Fund Managers' Views. London: PricewaterhouseCoopers.

Barnea, A. & Lakonishok, J. (1980) An Analysis of the Usefulness of Disaggregated Accounting Data for Forecasts of Corporate Perfromance. *Decision Sciences,* 11, 1, 17-26.

Barth, M. E., Clinch, G. & Shibano, T. (2003) Market Effects of Recognition and Disclosure. *Journal of Accounting Research,* 41, 4, 581-609.

Beard, V. & Al-Rai, Ziad. (1999) Collection and Transmission of Accounting Information across Cultural Borders: The Case of US MNEs in Jordan. *The International Journal of Accounting,* 34, 1, 133-150.

Beattie, V. (2005) Moving the Financial Accounting Research Front Forward: The UK Contribution. *Accounting Fourm,* 28, 205-236.

Beattie, V., McInnes, B. & Fearnley, S. (2004) A Methodolgy for Analysing and Evaluating Narratives in Annual Reports: A Comprehensive Descritptive Profile and Mertics for Disclsoure Quality Attributes. *Accounting Fourm,* 28, 205-236.

Beaver, W., Lambert, R. & Morse, D. (1980) The Information Content of Security Prices. *Journal of Accounting and Economics,* 2, 1, 3-28.

Beaver, W., Kettler, P. & Myron, S. (1970) The Association Between Market Determined and Accounting Determined Risk Measures. *The Accounting Review,* 45, 4, 654-682.

Bebbington, J., Gray, R., Hibbitt, C., & Kirk, E. (2001) Full Cost Accounting: An Agenda for Action. ACCA research report 73, London.

Behn, B. K., Nichols, N. B. & Street, D. L. (2002) The Predictive Ability of Geographic Segment Disclosures by U.S. Companies: SFAS No. 131 vs. SFAS No. 14. *Journal of International Accounting Research,* 1, 31-44.

Belkaoui, A. (1987) *Inquiry and Accounting Alternate Methods and Research Perspectives,* NewYork, Quorum Books.

Belkaoui, A. (2004) *Accounting Theory,* 5th Edition, London, Thomson Learning Inc.

Benston, G. J. (1982) Accounting and Corporate Accountability. *Accounting, Organizations and Society,* 7, 2, 87-105.

Bernard, R. (2000) *Social Research Methods: Qualitative and Quantitative Appraoches,* First Edition, London, Sage Publications Ltd.

Berry, A. & Robertson, D. (2006) Overseas Bankers in the UK and Their Use of Information for Making Lending Decisions: Changes from 1985. *The British Accounting Review,* 38, 2, 175.

Birks, J. S. & Sinclair, C. A. (1982) Employment and Development in Six Poor Arab States: Syria, Jordan, Sudan, South Yemen, Egypt, and North Yemen. *International Journal of Middle East Studies*, 14, 1, 35-51.

Black, T. R. (1999) *Doing Quantitative Research in The Social Sciences,* 1st Edition, London, Sage Publications Ltd.

Blaikie, N. (2007) *Appraoches to Social Enquiry,* 2nd Edition, Camdridge, Polity Press.

Bonham, M., Curtis, M., Davies, M., Dekker, P., Denton, T., Moore, R., Richards, H., Wilkinson-Riddle, G. & Wilson, A. (2004) *International GAAP*, London, LexisNexis.

Botosan, C. A. (1997) Disclosure Level and the Cost of Equity Capital. The *Accounting Review*, 72, 3, 323-349.

Botosan, C. A. & Stanford, M. (2005) Managers' Motives to Withhold Segment Disclosures and the Effect of SFAS No. 131 on Analysts' Information Environment. The *Accounting Review,* 80, 3, 751-771.

Bovee, M., Roberts, T. & Srivastava, R. (2009) Decision Useful Financial Reporting Information Characterstics: An Empiricial Validation of the Proposed FASB/IASB International Accounting Model. Americans Conference on Information Systems, AMCIS 2009 Proceedings.

Britten, N. (1995) Qualitative Research Methods in General Practice and Primary Care. *Family Practice,* 12, 1, 104.

Bryman, A. (2004) *Social Research Methods,* 2nd edition, Oxford, Oxford University Press Inc.

Brynen, R. (1992) Economic Crisis and Post-Rentier Democratization in the Arab World: The Case of Jordan. *Canadian Journal of Political Science / Revue canadienne de science politique*, 25, 1, 69-97.

Btoush, M. (2009) Evaluation of E-Government Services in Jordan: Providers'& Users' Perceptions. Sheffield Halam University 'Unpublished PhD Thesis'.

Bulmer, M. (1986) *Socilogical Research Methods,* 2nd Edition, London, The MacMillan Press Ltd.

Burrell, G. & Morgan, G. (1979) *Social Paradigms and Organisational Analysis,* Burlington, Ashgate Publishing Company.

Camfferman, K. & Cooke, T, E. (2002) An Analysis of Disclosure in the Annual Reports of U.K. and Dutch Companies. *Journal of International Accounting Reaearch,* 1, 1, 3-30.

Carmines, E. G. & Zeller, R. A. (1991) *Relaiblity and Validity Assessment,* 1st Edition, London, Sage Publications Ltd.

Carsberg, B. & Day, J. (1984) The Use of Current Cost Accounting Information by Stockbrokers,. *Current Cost Accounting: The Benefits and Costs, Instituite of Chartered Accountants in England and Wales.*

Central Bank of Jordan (1993) Annual Report. Research and Studies Department, Amman.

Central Bank of Jordan (2004) Annual Report. Research and Studies Department, Amman.

Central Bank of Jordan (2009) Annual Report. Research and Studies Department, Amman.

Central Bank of Jordan (July, 2010) Monthly Statistical Bulletin. Research and Studies Department, Amman.

Central Intelligence Agency (2001) The World Factbook. 2010 Packback Edition, Washington.

Chambers, R. J. (1955) Blueprint for a Theory of Accounting. *Accounting Research,* 6, 17-25.

Chambers, R. J. (1972) Accounting Theory Construction. *Third International Conference on Accounting Education.* Sydney.

Chua, W. F. (1986) Radical Developments in Accounting Thought. *Accounting Review,* 61, 4, 601.

Clair, R. P. (1999) Standing Still in An Ancient Field: A Contemporary Look at the Organisational Communication Discipline. *Management Communication Quarterly,* 13, 283-293.

Collis, J. & Hussey, R. (2003) *Business Research: A practical guide for undergraduate and postgraduate studies*, 2nd edition, New York, Macmillan.

Comprehensive Multiple Project Company (2008) Annual Report of 2008, Amman.

Cooke, T. E. (1989) Voluntary Corporate Disclosure by Swedish Companies. *Journal of International Financial Management & Accounting,* 1, 2, 171-195.

Cooke, T. E. & Wallace, R. S. (1989) Global Surveys of Corporate Disclosure Practices and Audit Firms: A Review Essay. *Accounting & Business Research,* 20, 77, 47-57.

Cotter, D. (2011) *Advanced Financial Reporitng: A Complete Guide to IFRS,* 1st Edition, Edinbrugh, Pearson Education Limited.

Coy, D. & Dixon, K. (2004) The Public Accountability Index: Crafting a Parametric Disclosure Index for Annual Reports. *The British Accounting Review,* 36, 1, 79-106.

Coy, D., Fischer, M. & Gordon, T. (2001) Public Accountability: A New Paradigm for College and University Annual Reports. *The British Accounting Review,* 36, 79-106.

Crawford, L., Helliar, C., & Power, D. (2010a) Politics or Accounting Principles: Why was IFRS 8 so Controversial?, London, *ICAEW.*

Crawford, L., Extance, H., Helliar, C. & Power, D. (2010b) Report on Initial Findings from An ICAS Research Study of Segmental Reporting. *CA Magazine,* 56-57.

Crawford, L., Helliar, C. & Power, D. (2011) Control over Accounting Standards within the European Union: The Political Controversy Surrounding the Adoption of IFRS 8. Working Paper, Submmited to *CPA Journal*.

Creswell, J. W. (1998) *Qualitative inquiry and research design : Choosing Among Five Traditions, 1st Edition,* London, Sage Publications Inc.

Crotty, M. (1998) *The Foundations of Social Research : Meaning and Perspective in the Research Process*, 1st Edition, London, Sage Publications Inc.

Cyert, R. M. & Ijiri, Y. (1974) Problems of Implementing the Trueblood Objectives Report. *Journal of Accounting Research,* 12, 3, 29-42.

Dahrendorf, R. (1959) *Class and Class Conflict in Industrial Society,* 1st Edition, London, Routledge & Kegan Paul.

Deegan, C. & Rankin, M. (1997) The Materiality of Environmental Information to Users of Annual Reports. *Accounting, Auditing & Accountability Journal,* 10, 4, 562.

Deegan, C. (2000) *Financial Accounting Theory*, Sydney, McGraw-Hill Book Company.

Deetz, S. (1996) Describing Differences in Approaches to Organization Science: Rethinking Burrell and Morgan and Their Legacy. *Organization Science*, 7, 2, 191-207.

Denzin, N. & Lincoln, Y. (2003) *Collecting and Interpreting Qualitative Materials*, 2nd Edition, London, Sage Publications, Inc.

Denzin, N. & Lincoln, Y. (2005) *The Sage Handbook of Qualitative Research*, 3rd Edition, London, Sage Publications Inc.

Dey, C. (1999) Social Accounting and Accountability: Ethnography, Bookkeeping and the Critical Project. School of Accounting and Finance. Dundee, Univeristy of Dundee 'Unpublished PhD Thesis'.

Dhaliwal, D. (1980) Improving the Quality of Corporate Financial Disclosure. *Accounting and Business Research*, (Autumn), 385-391.

Dhillon, G. & Backhouse, J. (2001) Current Directions in IS Security Research: Towards Socio-Organizational Perspectives. *Information Systems Journal*, 11, 2, 127-153.

Dillard, J. F. (1991) Accounting as a Critical Social Science. *Accounting, Auditing & Accountability Journal*, 4, 1.

Department of Statistics: (2009) Papulation and Family Health Survey 2009, Amman.

Doupnik, T. S. & Seese, L. P. (2001) Geographic Area Disclosures Under SFAS 131: Materiality and Fineness. *Journal of International Accounting, Auditing & Taxation*, 10, 2, 117.

Dunne, T. M., Fifield, S. G. M., Finningham, G., Fox, A., Hannah, G. M., Helliar, C. V. & Power, D. M. (2008) *The Implementation of IFRS in the UK, Italy and Ireland*, Edinburgh, Institute of Chartered Accountants of Scotland.

Edwards, J. R. (1989) *A History of Financial Accounting*, 1st Edition, London, Routledge.

Edwards, P. & Smith, R. A. (1996) Competitive Disadvantage and Voluntary Disclosures: The Case of Segmental Reporting. *British Accounting Review*, 28, 2, 155-172.

Economist Intelligence Unit (1990) Country Report- Jordan No. 1, London.

El-Issa, M. (1984) Financial Reporting Requirements and Practices in Jordan. University of Wales 'Unpublished PhD Thesis'.

Elliot, B. & Elliot, J. (2008) *Financial Accounting and Reporting,* 12th Edition, Essex, Pearson Education Limited.

Emmanuel, C. R., Garrod, N. W., Mccallum, C. & Rennie, E. D. (1999) The Impact of SSAP 25 and the 10% Materiality Rule on Segment Disclosure in the UK. *British Accounting Review,* 31, 2, 127-149.

Ettredge, M., Richardson, V. J. & Scholz, S. (2002) Dissemination of Information for Investors at Corporate Web Sites. *Journal of Accounting and Public Policy,* 21, 4-5, 357-369.

Ettredge, M. L., Soo Young, K., Smith, D. B. & Zarowin, P. A. (2005) The Impact of SFAS No. 131 Business Segment Data on the Market's Ability to Anticipate Future Earnings. *Accounting Review,* 80, 3, 773-804.

European Comission (2007) Endorsement of IFRS 8 Operating Segments, Analysis of Potential Effects, Brussels.

European Securities and Market Auhtority (2011) Review of European enforces on the Implementation of IFRS 8 - Operating Segments, Paris.

Famighetti, R. (2000) *World Almanac and Book of Facts 2000,* 2000 Paperback, St. Martin's Press.

Financial Accounting Standards Board (1976) Statement of Financial Accounting Standards No. 14. *Financial Reporting for Segments of a Business Enterprise*, Norwalk.

Financial Accounting Standards Board (1978) Statement of Financial Accounting Concepts No. 1. *Objectives of Financial Reporting by Business Enterprises*, Norwalk.

Financial Accounting Standards Board (1980) Statement of Financial Accounting Concepts No. 2. *Qualitative Characteristics of Accounting Information*, Norwalk.

Financial Accounting Standards Board (1997) Statement of Financial Accounting Standards No. 131. *Disclosures about Segments of an Enterprise and Related Information*, Norwalk.

Financial Accounting Standards Board (2001) Improving Business Reporting: Insights Into Enhancing Voluntary Disclosures. *Business research reporting project*, Norwalk.

Financial Reporting Review Panel (2010) Highlights the Challenge of Implementing New Segmental Reporting Requirements. HTTP://WWW.FRC.ORG.UK/FRRP/PRESS/PUB2203.HTML, Financial Reporting Council, London, Accessed Date: 15/2/2010.

Finningham, G. D. (2010) The Impact of the Introduction of IFRS on Corporate Annual Reports and Accounts in the UK. School of Accounting and Finance. Dundee, University of Dundee 'Unpublished PhD Thesis'.

Frost, C. A., Gordon, E. A. & Pownall, G. (2008) Financial Reporting and Disclosure Quality, and Emerging Market Companies' Access to Capital in Global Markets. *SSRN eLibrary*.

Fryer, G. H. Knight, J. R. & Davies, D. M. M. (1976) The Stock Exchange Official Yearbook (U. K.) 1977-78, London, Thomas Skinner Directories.

Galutier, M. & Underdown, B. (2001) *Accounting Theory and Practice*, 7th Edition, Harlow, Prentice Hall.

Gaughan, P. (1994) *Readings in Mergers and Acquistions*, 1st Edition, Cambridge, Massachusetts, Basil Blackwell Ltd.

Gore, R. & Zimmerman, D. (2007) Building the Foundations of Financial Reporting: The Conceptual Framework. *CPA Journal,* 77, 8, 30-34.

Govindarjan, V. (1980) The Objectives of Financial Statements: An Empirical Study of the Use of Cash Flow and Earnings by Security Analysts. *Accounting, Organisations and Society,* 5, 4, 383-392.

Gray, P. S., Williamson, J. B., Karp, D. A. & Dalphin, J. R. (2007) *The Research Imagination: An Introduction to Qualitative and Quantitative Methods,* First Edition, New York, Cambridge University Press.

Gray, R. (1992) Accounting and environmentalism: An Exploration of the Challenge of Gently Accounting for Accountability, Transparency and Sustainability. *Accounting, Organizations and Society,* 17, 5, 399-425.

Gray, R. (1995) Corporate Social and Environmental Reporting: a Review of the Literature and a Longitudinal Study of UK Disclosure. *Accounting, Auditing & Accountability Journal,* 8, 2, 47.

Gray, R., Owen, D. & Adams, C. (1996) *Accounting and Accountability,* 1st Edition, London, Prentice Hall.

Haddad, A. (2005) The Impact of Voluntary Disclosure Level on the Cost of Equity Capital in an Emerging Capital Market: the Case of the Amman Stock Exchange. School of Management. University of East Anglia 'Unpublished PhD Thesis'.

Haddad, A. E., Alshattarat, W. K. & Nobanee, H. (2009) Voluntary Disclosure and Stock Market Liquidity: Evidence from the Jordanian Capital Market. *International Journal of Accounting, Auditing and performance Evaluation,* 5, 3, 285 - 307.

Hassan, O. Giorgini, G. & Romilly, P. (2006) The Extent of Financial Disclosure and its Determinants in an Emerging Capital Market: The Case of Egypt. *International Journal of Accounting, Auditing and Performance Evaluation,* 3, 1, 41 - 67.

Hassan, O. Marston, C. (2010) Disclosure Measurement in the Empirical Accounting Literature: A Review Article. *Economics and Finance Working Papers Series,* 1 - 59, Brunel University.

Hassan, O. Romilly, P. Giorgini, G. & Power, D. (2009) The Value relevance of disclsoure: Evidence from the emerging capital market of Egypt. *The International Journal of Accounting,* 44, 1, 79 - 102.

Hayat Pharmaceutical Industries Company (2009) Annual Report of 2008, Amman.

Helles, S. (1992) The Evolution of Accounting in Developing Countries the Study of Jordan. Business School. The University of Hull 'Unpublished PhD Thesis'.

Hellstrom, K. (2006) The Value Relevance of Financial Accounting Information in a Transition Economy: The Case of the Czech Republic. *European accounting review,* 15, 3, 325-349.

Hendriksen, E. (1970) *Accounting Theory,* 2nd Edition, Homewood, Richard D. Irwin.

Herrmann, D. & Thomas, W. (2000a) An Analysis of Segment Disclosures under SFAS No. 131 and SFAS No. 14. *Accounting Horizons,* 14, 3, 287-302.

Herrmann, D. & Thomas, W. (2000b) A Model of Forecast Precision Using Segment Disclosures: Implications for SFAS No.131. *Journal of International Accounting, Auditing and Taxation,* 9, 1, 1-18.

High Council of the Accounting Profession (2002) Accountancy Profession Law No. 73, Amman.

Hitz, J. M. (2007) The Decision Usefulness of Fair Value Accounting: A Theoretical Perspective. *European accounting review,* 16, 2, 323.

Hodgson, A., Holmes, S. & Kam, V. (1992) *Accounting Theory*, John Wiley & Sons.

Holland, J. (1998) Private Voluntary Disclosure, Financial Intermediation and market Efficiency. Journal of Business, Finance and Accounting, 25, 1/2, 29 - 68.

Hossain, M., Perera, M. H. B. & Rahman, A. R. (1995) Voluntary Financial Disclosure in the Annual Reports of New Zealand Companies. *Journal of International Financial Management and Accounting,* 6, 1, 69-85.

Hummels, D. (2007) Transportation Costs and International Trade in the Second Era of Globalization. *The Journal of Economic Perspectives,* 21, 3, 131-154.

Hutaibat, K. (2005) Management Accounting Practices in Jordan - A Contingency Approach. *School of Economics, Finance and Management.* University of Bristol.

Ijiri, Y. (1983) Accountability-based Conceptual Framework. *Journal of Accounting and Public Policy,* 2, 75-81.

International Accounting Standards Board (2006a) International Financial Reporting Standard No. 8. *Operating Segments*, London.

International Accounting Standards Board (2006b) *Preliminary Views on an Improved Conceptual Framework for Financial Reporting: The Objective of Financial Reporting and Qualitative Characteristics of Decision-useful Financial Reporting Information*. London.

International Accounting Standards Board (2006c) *Exposure Draft No. 8* www.iasb.co.uk/currentprojects/IASBProjects/SegmentReporting/CommentLetters, London, Accessed Date: 12/11/2010).

International Accounting Standards Board (2007a) International Accounting Standard No. 1 (Revised). *Presentation of Financial Statements*, London.

International Accounting Standards Board (2007b) *Objective of Financial Reporting and Qualitative Characteristics*, London.

International Accounting Standards Board (2008a) *An Improved Conceptual Framework for Financial Reporting*, London.

International Accounting Standards Board (2008b) *Comment Letter Summary: Objectives and Qualitative Characteristics*, London.

International Accounting Standards Board (2010) *Conceptual Framework for Financial Reporting (The IFRS Framework)*, London.

International Accounting Standards Board (2012) *Summary of the Conclusions of the January 2012 Trustees' Due Process Oversight Committee (meeting)* http://www.ifrs.org/Alerts/Governance/DPOC+summary+Jan+2012.htm, London, Accessed Date: 29/01/2012).

International Accounting Standards Committee (1989) *The IASC Framework: Framework for the Preparation and Presentation of Financial Statements*, London.

International Accounting Standards Committee (1997) International Accounting Standard No. 14 (Revised). *Segment Reporting*, London.

International Monetary Fund (2010) *World Economic Outlook,* 2010 Packback Edition.

Jaggi, B. & Low, P. Y. (2000) Impact of Culture, Market Forces, and Legal System on Financial Disclosures. *The International Journal of Accounting*, 35, 4, 495-519.

Jermakowicz, E. K. & Gornik-Tomaszewski, S. (2006) Implementing IFRS from the Perspective of EU Publicly Traded Companies. *journal of International Accounting, Auditing and Taxation*, 15, 2, 170-196.

Jordan Association of Certified Public Accoutnants: (2010) Annual Report, Amman.

Jordan Commercial Bank (2009) Annual Report of 2009, Amman.

Jordan Kuwait Bank (2009) Annual Report of 2009, Amman.

Jordan Petroleum Refinery (2009) Annual Report of 2009, Amman.

Jordan Telecom (2008) Annual Report of 2008, Amman.

Jordan Securities Commission (1997) The Securities Law No. 23. *Amended later by Securities Law of 2002*, Amman.

Jordan Securities Commission (2002) The Securities Law No. 76, Amman.

Jordan Securities Commission (2004a) Directives for Listing Securities on the Amman Stock Exchange for the year 2004, The Board of Commissioners, Amman.

Jordan Securities Commission (2004b) Instructions of Issuing Companies Disclosure, Accounting and Auditing Standards for the Year 2004, The Board of Commissioners, Amman.

Jordan Securities Commission (2005) Instructions of Issuance and Registration of Securities for the Year 2005, Amman.

Jordan Securities Commission (2006) Annual Report, Amman.

Jordan Securities Commission (2007a) Annual Report, Amman.

Jordan Securities Commission (2007b) Instructions on the Accounting Principles and Standards Pertaining to the Preparation of Annual and interim Financial Statements for the year 2007. The Board of Commissioners, Amman.

Jordan Securities Commission: (2008) Annual Report, Amman.

Kam, V. (1990) *Accounting Theory*, 2nd Edition, New York, John Wiley & Sons, Inc.

Kamal, N. (1998) Comprehensiveness of Disclosure of Non-Financial Companies Listed on the Amman Financial Market. *International Journal of Commerce and Management*, 8, 1, 88-119.

Kardoosh, M. (2005) Jordan’s Susceptibility To Shocks Arising From Regional Developments. Jordan Centre for Public Policy Research and Dialogue.

Kees, C. & Terence, E. C. (2002) An Analysis of Disclosure in the Annual Reports of U.K. and Dutch Companies. *Journal of International Accounting Research,* 1, 1, 3-30.

Kerlinger, F. N. (1964) *Foundations of Behavioral Research,* 1st Edition, New York, Holt Rinehart & Winston.

Khasharmeh, H. (1995) The Status of Financial Reporting, Accounting Education and Profession in a Developing Country: The Case of Jordan. Middlesex University 'Unpublished PhD Thesis'.

Kieso, D. E., Waygandt, J. J. & Warfield, T. D. (2009) *Intermediate Accounting,* 15th Edition, NewYork, Wiely Publisher.

Kloot, L. & Martin, J. (2007) Public Sector Change, Organisational Culture and Financial Information: A Study of Local Government. *Australian Journal of Public Administration,* 66, 4, 485-497.

Kribat, M. (2009) Financial Disclosure Practices in Developing Countries: Evidence from the Libyan Banking Sector. School of Accounting and Finance. Dundee, University of Dundee 'Unpublished PhD Thesis'.

Kuhn, T., S. (1996) *The Structure of Scientific revolutions,* 2nd edition, Chicago, University of Chicago Press.

Kvale, S. (1996) *Interviews: An Introduction to Qualitative Research Interviewing,* 1st Edition, Claifornia, Sage Publications Inc.

Laughlin, R. C. & Puxty, A. G. (1981) The Decision-useflness Criterion: Wron Cart, Wrong Horse? *AUTA Review,* 13, 43-87.

Lee, T. & Tweedie, D. (1979) *The Private Shareholder and the Corporate Report,* London, Instituite of Chartered Accountants in English and Wales.

Lee, T. & Tweedie, D. (1975) Accounting information: an investigation of private shareholder usage. *Accounting and Business Research,* 5, 20, 3-13.

Lesmond, D. A. (2005) Liquidity of emerging markets. *Journal of Financial Economics,* 77, 2, 411-452.

Litwin, M (1995) *How to Measure Survey Reliability and Validity*, 1st Edition, London, Sage Publications Ltd.

Locke, F., Silverman, J. & Spirduso, W. (2004) *Reading and understanding research,* 2nd Edition, London, Sage Publications.

Lockwood, D. (1956) Some Remarks on the Social System. *British Journal of Sociology,* 7, 134-143.

Malkawi, B. H. & Haloush, H. A. (2008) Reflections on the Securities Law of Jordan. *American University International Law Review,* 23, 763-805.

Mande, V. & Ortman, R. (2002) Are Recent Segment Disclosures of Japanese Firms Useful? Views of Japanese Financial Analysts. *The International Journal of Accounting,* 37, 1, 27-46.

Marston, C. (1986) *Financial Reporting in India,* Australia, Croom Helm Ltd.

Marston, C. L. & Shrives, P. J. (1991) The use of disclosure indices in accounting research: A review article. *The British Accounting Review,* 23, 3, 195-210.

Martin, A. D. & Poli, P. M. (2004) The Usefulness of Geographic Segment Disclosure for U.S.-Based MNCs Operating in Emerging Markets. *Advances in International Accounting,* 17, 199-225.

Mathews, M. R. & Perera, M. H. B. (1996) *Accounting theory & development*, 3rd Edition, Sydney, Thomas Nelson.

May, T. (2001) *Social Research: issues, Methods and Process*, 3rd edition, Buckingham, Open University Press.

Maykut, P. & Morehouse, R. (1994) *Beginning Qualitative Research: A Philosophical and Practical Guide,* 1st Edition, The Falmer Press.

Middle East Complex for Electronics and Heavy Industries (2009) Annual Report of 2009, Amman.

Middle East Pharma. & Chemical IND. & Medical Appliances (2009) Annual Report of 2009, Amman.

Miles, M. B. (1979) Qualitative Data as an Attractive Nuisance: The Problem of Analysis. *Administrative Science Quarterly,* 24, 4, 590-601.

Minisrty of Finance (1985) The Income Tax Law No. 57, Amman.

Ministry of Higher Education and Scientific Research (2009) B.A / B.Sc. Students Enrolled to the Jordanian Universities by Field & University for the year 2008 / 2009**.** http://www.mohe.gov.jo/Statistics2009/tabid/547/language/en-US/Default.aspx Access Date: 11/11/2009, Amman.

Minisrty of Industry and Trade (1985) The Auditing Profession Practice Law No. 32, Amman.

Minisrty of Industry and Trade (1997) The Companies Law No. 22, Amman.

Mirshekary, S. & Saudagran, S. (2005) Perceptions and Characteristics of Financial Statement Users in Developing Countries: Evidence from Iran. *Journal of International Accounting, Auditing & Taxation,* 14, 1, 33.

Naser, K. & Al-Khatib, K. (2000) Determinants of the Depth of Information Disclosure in the Board of Directors' Statements of a Sample of Jordanian Listed Companies. *Advances in International Accounting,* 13, 99−118.

Naser, K., Al-Khatib Khalid & Yusuf, K. (1993) Empirical Evidence on the Depth of Corporate Information Disclosure in Developing Countries: The Case of Jordan. *International Journal of Commerce and Management,* 12, 3/4, 122-155.

Naser, K., Hamed, A. & Rana, N. (2007) Determinants of Audit Fees: Empirical Evidence From Emerging Economy. *Scientific Journal of Administrative Development,* 5, 84 - 116.

Nobanee, H., Haddad, A., E, Alshattarat, W., K & Alshattarat, H., K (2009) An Analysis of the Informational Content of Dividend Change Payments at Amman Stock Exchange. *Middle Eastern Finance and Economics,* 5, 75 - 91.

Nobes, C., Parker, B. & Parker, R. (2008) *Comparative International Accounting,* 10th Edition, Essex, Prentice Hall.

Obaidat, A. (2007) Auditors Compliance with International Standards on Auditing (ISAs): Evidence from Jordan. *Journal of Social Sciences*, 3, 4, 185-189.

Organization for Economic Co-operation and Development (2009) Policy Framework for Effective and Efficient Financial Regulation: General Guidance and High-Level Checklist, London.

Owusu-Ansah, S. (1998) The impact of corporate attributes on the extent of mandatory disclosure and reporting by listed companies in Zimbabwe. *The International Journal of Accounting*, 33, 5, 605-631.

Page, M. (1991) *Now is the Time to be More Critical*, Accountancy, October, 31.

Patton, M. (2002) *Qualitative Evaluation and Research Methods,* 3rd Edition, London, Sage Publications, Inc.

Perks, R. W. (1993) *Accounting and Society,* 1st Edition, London, Chapman and Hall.

Piro, T. (1998) *The Political Economy of Market Reform in Jordan,* 1st Edition, Oxford, Rowman & Littlefield Publishers Inc.

Public Auditing Profession Board (1985) The Auditing Profession Practice Law No. 32. *Amendment in 2003 by The Accountancy Profession Law of 2003,* Amman.

Punch, K. F. (1998) *Introduction to Social Research: Quantitative and Qualitative Approaches,* 1st Edition, London, Sage Publications Ltd.

Punch, K. F. (2005) *Introduction to Social Research: Quantitative and Qualitative Approaches*, 2nd Edition, London, Sage Publications Ltd.

Rennie, E. D. & Emmanuel, C. R. (1992) Segmental Disclosure Practice: Thirteen Years On. *Accounting & Business Research*, 22, 86, 151-160.

Report on The Observance of Standards and Codes (June 10, 2004) Report on the Observance of Standards and Codes.

Robbins, W. A. & Austin, K. R. (1986) Disclosure Quality in Governmental Financial Reports: An Assessment of the Appropriateness of a Compound Measure. *Journal of Accounting Research*, 24, 2, 412-421.

Roberts, C. B., Weetman, P. & Paul., G. (2005) *International Financial Reporting: A Comparative Approach*, 3rd Edition, Pearson Education.

Robson, C. (2002) *Real World Research,* 2nd Edition, Oxford, Blackwell Publishing Ltd.

Ronen, J. (2008) To Fair Value or Not to Fair Value: A Broader Perspective. *Abacus*, 44, 2, 181-208.

Salam International Transport & Trading (2009) Annual Report of 2009, Amman.

Saudagaran, S. M. (2009) *International Accounting: A User Perspective,* CCH Group A Wolters Kluwer Business.

Saudagaran, S. M. & Biddle, G. C. (1992) Financial Disclosure Levels and Foreign Stock Exchange Listing Decisions. *Journal of International Financial Management and Accounting,* 4, 2, 106.

Schroeder, R., Clark, M. & Cathey, J. (2011) *Financial Accounting Theory and Analysis: Text and Cases,* 10th Edition, New York, John Wiely & Sons Inc.

Securities Depository Center (2000) SEC Concept Release: International Accounting Standards. http://www.sec.gov/rules/concept/34-42430.htm Access Date: 12/9/2011, Washington.

Securities Depository Center (2008) Annual Report, Amman.

Securities Depository Center (2009) Annual Report, Amman.

Sharma, D. S. & Iselin, E. R. (2003) The Decision Usefulness of Reported Cash Flow and Accrual Information in a Behavioural Field Experiment. *Accounting and Business Research* 33, 2, 123-135.

Shepherd, K. Abkowitz, M. & Cohen, M. (2001) Online Corporate Environmental Reporting: Improvements and Innovation to Enhance Stakeholder Value. *Corporate Enviromental Strategy* 8, 4, 307-315.

Shoup, J., A. (2007) *Culture and Customs of Jordan,* 1st Edition, London, Greenwood Publishing Group, Inc.

Smith, G. (1989) Improving the Decision Usefulness of the Corporate Annual Report. School of Accounting. Perth, Western Australia, Curtin University of Technology.

Smith, M. (2003) *Research Methods in Accounting,* 1st Edition, London, Sage Publications Ltd.

Snavely, H. J. (1967) Accounting Information Criteria. *The accounting review,* 42, 2, 223.

Somkeh, B. & Lewin, C. (2005) *Research Methods in The Social Sciences,* First Edition, London, Sage Publications Ltd.

Standard and Poor's (2009) *The Global Stock Markets Factbook,* 2009 Packback Edition.

Stanton, P. A. (1997) Users' Rights to Published Accounting Information: Nature, Justification and Implications. *Accounting, Auditing & Accountability Journal,* 10, 5, 684-701.

Staubus, G. (2000) *The Decision-Usefulness Theory of Accounting: A limited History,* New York, Garland Publishing.

Sterling, R. R. (1970) On Theory Construction and Verification. *The accounting review,* 45, 3, 444.

Sterling, R. R. (1972) Decision Oriented Financial Accounting. *Accounting and Business Research,* 2, 7, 198-208.

Stewart, J. D. (1984) The Role of Information in Public Sector. *Issues in Public Sector Accounting,* 13-34.

Street, D. L. & Nichols, N. B. (2002) LOB and Geographic Segment Disclosures: An Analysis of the Impact of IAS 14 Revised. *Journal of International Accounting, Auditing and Taxation*, 11, 2, 91-113.

Street, D. L. Nichols, N. B. & Gray, S. J. (2000) Segment Disclosures Under SFAS No. 131: Has Business Segment Reporting Improved? *Accounting Horizons*, 14, 3, 259-285.

Street, D. L. & Shaughnessy, K. A. (1998) The Quest for International Accounting Harmonization: A Review of the Standard Setting Agendas of the IASC, US, UK, Canada, and Australia, 1973-1997, *The International Journal of Accounting,* 33, 2, 179-209.

Sucher, P. & Jindrichovska, I. (2004) Implementing IFRS: A Case Study of the Czech Republic. *Accounting in Europe,* 1, 1, 109 - 141.

Suwadian, M., Omari, A. & Abed, S. (2007) The Segmental Information Disclosures in the Annual Reports of the Jordanian Industrial Companies: A Fuiled Study. *Commercial College for Scientifc Research: Alexandria University,* 2, 44, 1-48.

Suwaidan, M. (1997) Voluntary Disclosure of Accounting Information: The Case of Jordan. Department of Accountancy, University of Aberdeen 'Unpublished PhD Thesis'.

Swaidan, Z. & Nica, M. (2002) The 1991 Gulf War and Jordan's Economy. *Middle East Review of International Affairs,* 6, 2, 70-76.

Tabari, M. (2000) Computrised Accounting in Jordan: Critical Analysis and Comparative Study of Applications for Teaching Accountancy Students. Business School. Liverpool John Moores University.

Talha, M., Sallehhuddin, A. & Mohammad, J. (2006) Changing Pattern of Competitive Disadvantage from Disclosing Financial Information: A Case Study of Segmental Reporting Practice in Malaysia. *Managerial Auditing Journal*, 21, 265-274.

Talha, M., Sallehhuddin, A. & Mohammad, J. (2007) Competitive Disadvantage and Segment Disclosure: Evidence from Malaysian Listed Companies. *International Journal of Commerce and Management,* 17, 1/2, 105-124.

Tarca, A. (2004) International Convergence of Accounting Practices: Choosing Between IAS and US GAAP. *Journal of International Financial Management & Accounting,* 15, 1, 60-91.

Tesch, R. (1990) *Qualitative Research: Analysis Types and Software Tools,* 1st Edition, RoutledgeFalmer.

The Jordan Cement Factories (2009) Annual Report of 2009, Amman.

The Holy Land Insurance Company (2009) Annual Report of 2009, Amman.

Tomkins, C. & Groves, R. (1983) The Everyday Accountant and Researching his Reality. *Accounting, Organizations and Society,* 8, 4, 361-374.

Tricker, R. (1983) *Corporate Responsibility, Institutional Governance and the Roles of Accounting Standards: An International Perspective*, 1st Edition, London, Pitman.

Tsakumis, G. T., Doupnik, T. S. & Seese, L. P. (2006) Competitive Harm and Geographic Area Disclosure Under SFAS 131. *Journal of International Accounting, Auditing and Taxation,* 15, 1, 32-47.

United Nations: (2007) *Demographic Yearbook,* 2007 Packback Edition.

Veron, N. (2007) EU Adoption of the IFRS 8 Standard on Operating Segments. *Note for the ECON Committee of the European Parliament,* Bruegel Institute.

Walker, R. G. (2003) Objectives of Financial Reporting. *Abacus*, 39, 3, 340-355.

Wallace, R. S. (1987) Disclosure of Accounting Information in Developing Countries: A Case Study of Nigeria. University of Exeter, UK 'Unpublished PhD Thesis'.

Wallace, R. S. (1988) Corporate Financial Reporting in Nigeria. *Accounting and Business Research,* 18, 72, 352-362.

Wallace, R. S. (1989) Accounting and Financial Reporting in Nigeria. *The Institute of Chartered Accountants in England and Wales,* Libre Print, Norwich.

Wallace, R. S. & Naser, K. (1995) Firm-Specific Determinants Of the Comprehensiveness f Mandatory Disclosure in the Corporate Annual Reports of Firms Listed in the Stock Exchange of Hong Kong. *Journal of Accounting and Public Policy,* 14, 311-368.

Walton, P. Haller, A. & Raffournier, B. (2003) *International Accounting,* 2nd Edition, London, Thomson Learning.

Weber, R (1990) *Basic Content* Analysis, 2nd Edition, London, Sage Publications Ltd.

Whittington, G. (2008) Fair Value and the IASB/FASB Conceptual Framework Project: An Alternative View. *Abacus,* 44, 2, 139-168.

Wiecek, I., M. & Young, N., M. (2010) *IFRS Primier International GAAP Basics,* 1st Edition, John Wiely & Sons, Inc.

Williams, P., F. (1987) The Legitimate Concern With Fariness. *Accounting Organizations and Society,* 12, 2, 169-189.

Willmott, H. (1986) Organising the Profession: A Theoretical and Historical Examination of the Development of the Major Accountancy Bodies in the UK. *Accounting, Organizations and Society*, 11, 6, 555-580.

United Arab Investors (2009) Annual Report of 2009, Amman.

United Insurance Company (2008) Annual Report of 2008, Amman.

Appendix 1

Appendix 1.1 The Population Growth Rate and GDP in Jordan 1970 - 2009

The Population Growth Rate and GDP in Jordan 1970 - 2009			
Year	Population (Million)	Growth Rate (%)	GDP Growth (%)
1970	1.508	-	N/A
1971	1.531	1.525%	N/A
1972	1.552	1.372%	N/A
1973	1.575	1.482%	N/A
1974	1.730	9.841%	N/A
1975	1.810	4.624%	N/A
1976	1.892	4.530%	24.309%
1977	1.941	2.591%	6.506%
1978	2.000	3.041%	21.004%
1979	2.133	6.650%	9.120%
1980	2.233	4.688%	19.012%
1981	2.319	3.851%	4.708%
1982	2.409	3.881%	7.385%
1983	2.502	3.861%	1.990%
1984	2.599	3.876%	8.641%
1985	2.700	3.886%	3.456%
1986	2.805	3.999%	7.014%
1987	2.914	3.886%	2.896%
1988	3.027	3.878%	-1.852%
1989	3.144	3.865%	-13.452%
1990	3.468	10.305%	0.974%
1991	3.701	6.719%	1.824%
1992	3.844	3.864%	18.665%
1993	3.993	3.876%	4.631%
1994	4.139	3.656%	4.986%
1995	4.264	3.020%	6.187%
1996	4.383	2.791%	2.087%
1997	4.506	2.806%	3.308%
1998	4.623	2.597%	3.012%
1999	4.738	2.488%	3.391%
2000	4.857	2.512%	4.245%
2001	4.978	2.491%	5.269%
2002	5.098	2.411%	5.786%
2003	5.230	2.589%	4.178%
2004	5.350	2.235%	8.559%
2005	5.473	2.299%	8.121%
2006	5.600	2.320%	8.030%
2007	5.723	2.196%	8.855%

2008	5.850	2.219%	7.900%
2009	5.980	2.222%	2.800%

Note: The Population is not available before 1970 based on Department of Statistics Database. Source: Department of Statistics, Amman - Jordan, 2009.

Appendix 1.2 The JSC's Disclosure Requirements

Instructions of Issuing Companies Disclosure, Accounting and Auditing Standards for the Year 2004:

Article 4:

The Board of Directors of the issuing Company shall prepare the Company's annual report within three months from the end of the Company's fiscal year and shall provide the Commission therewith. The annual report shall include:

A- The statement of the Board of Directors' Chairman.

B- The Board of Directors' report, which shall include:

1- A description of the Company's main activities, with their respective geographical locations, size of capital investment and number of employees.

2- A description of the Subsidiary Companies, the nature of their business and their areas of activity.

3- A statement that indicates the members of the Board of Directors' names and the names and ranks of Senior Executive Management with a brief resume of each.

4- The names of the Company's large shareholders and the number of shares owned by each of them where such constitutes (5%) or more in comparison with the previous year.

5- The Company's competitive position within its sector and main market segments, as well as its share of the Local Market, and International Market if possible.

6- The extent of dependence upon specific suppliers and/or major clients (Local and International) where this constitutes (10%) or more of the total purchases and/or sales or revenues.

7- A description of any government protection or any concession granted to the Company or to any of its products pursuant to Laws, Regulations or otherwise, with a specification of the effective period thereof; as well as a description of any Patents or Licensing Rights obtained by the Company.

8- A description of any decision by the Government, International Organizations or otherwise with a material effect on the Company's business, products or competitiveness, and a disclosure of the Company's implementation of international quality standards.

9- The issuing Company's organizational chart, the number of its employees and their classes of qualification, and its personnel qualifying and training programs.

10- A description of the Company's risk exposure.

11- The Company's accomplishments supported by quantitative indicators and a description of significant occurrences to the Company during the fiscal year.

12- The financial impact of non-recurrent transactions during the fiscal year, which are not part of the Company's main activities.

13- A chronology of the realized profits or losses, dividends, shareholders' net equity and the prices of securities issued by the Company, for a minimum period of five years or for the period since the establishment of the Company, whichever is less, together with graphic representation thereof where possible.

14- An analysis of the Company's financial status and of the results of its activities for the fiscal year.

15- Important prospective developments including any new expansions and projects; the Company's proposed plan for at least one upcoming year; and the Board of Directors' forecasts for the outcomes of the Company activities.

16- The amount of auditing fees for the Company and its subsidiaries and any other fees received or receivable by the auditor.

17- A statement that indicates the number of securities issued by the Company which are owned by any member of its Board of Directors, any member of its Senior Executive Management or any of their relatives; a list of companies controlled by any of such, provided all of the above is benchmarked against the preceding year.

18- The benefits and remunerations of the Chairman, members of the Board of Directors, and Senior Executive Management, during the fiscal year, including payments received by any of them such as fees, salaries, bonuses**,** and otherwise, and their travel and transport expenses within the Kingdom and abroad.

19- A statement that indicates the donations and grants made by the Company during the fiscal year.

20- A statement that indicates the issuing Company's contracts, projects and engagements concluded with its Subsidiaries, Sister Companies or Affiliates, as well as those with the Chairman of the Board of Directors, members of the Board of Directors, the Chief Executive Officer or any employee of the Company or relatives thereof.

21- The Company's contribution to environmental protection and local community service.

C- The Company's annual audited financial statements benchmarked with the previous year, this shall include the following:

1- The balance sheet.

2- The profit and loss account.

3- The cash flow statement.

4- Statement of changes in shareholders’ equity.

5- Explanatory notes to the Financial Statements.

D- The auditors’ report on the Company’s annual financial statements, including an affirmation that the audit procedures are consistent with the audit standards adopted by these Instructions.

E-

1- A declaration from the Board of Directors that there are no substantial matters that might affect the Company’s continuity during the next fiscal year.

2- A declaration by the Board of Directors affirming its responsibility for the preparation of the financial statements and for providing an effective system of controls within the Company.

3- A declaration affirming the correctness, accuracy and completeness of the information and data stated in the report, signed by the Chairman of the Board of Directors, the Company’s General Manager, and the Financial Manager.

Appendix 1.3 Eligibility Requirements under the Auditing Profession Practice Law 1985

Any person who is eligible to practice auditing under the Auditing Profession Practice Law 1985 must have one of a number of qualifications.

Eligibility Requirements Under The Auditing Profession Practice Law 1985			
Group	**Education**	**Experiences**	**Certificate of Professional Body**
One	Bachelor's degree or its equivalent in accounting	3 years which 1 year must be in auditing	-
Two	Master's degree or its equivalent in accounting	2 years which 1 year must be in auditing	-
Three	PhD in accounting	1 year or 2 years teaching in one of the Jordanian universities	-
Four	Bachelor's degree or its equivalent from the faculty of Commerce, Law or Economics	5 years which 1 year must be in auditing	-
Five	Community College degree in accounting	6 years which 2 years must be auditing	-
Six	Bachelor's degree or its equivalent in accounting	worked for the AB or any other government department as a principal auditor	-
Seven	-	-	Certificate from an international recognized professional body such as the CPA in the United States, ICAEW, or ICAS in the United Kingdom

Note: This table shows the Auditing Profession Practice Law of 1985 eligibility requirements. The experiences required must be in accounting and/or auditing, and Group number Six is not currently available under the Accountancy Profession Law No. 73 of 2003. In addition, to be qualified for membership under one of these headings, the person has to pass an examination that covers many topics in accounting, auditing, legislation related to accounting, taxation and the financial system in Jordan. CPA refers to Certified Public Accountant; ICAEW refers to The Institute of Chartered Accountants in England and Wales; ICAS refers to The Institute of Chartered Accountants in Scotland.

Appendix 2

Appendix 2.1 Chua's (1986) Classification

Chua's (1986) Classification of Philosophical Assumptions

A. Beliefs about Knowledge
- Epistemology
- Methodological

B. Beliefs about Physical and Social Reality
- Ontological
- Human Intention and Rationality
- Social Order/Conflict

C. Relationship between Theory and Practice

Note: Chua's (1989) framework suggests three categories based on the research epistemology: positivist, interpretive and critical.

Appendix 2.2 The Final Sample for 2008 and 2009 (First Market)

The Final Sample of 109 Companies for 2008 and 2009 (First Market)			
ASE Sector	ASE Code	Company Name	Specialist
F	EXFB	Capital Bank of Jordan	Banking
F	BOJX	Bank of Jordan	Banking
F	UBSI	Union Bank	Banking
F	JOKB	Jordan Kuwait Bank	Banking
F	AJIB	Arab Jordan Investment Bank	Banking
F	JIFB	Invest Bank	Banking
F	JOIB	Jordan Islamic Bank	Banking
F	JONB	Jordan National Bank	Banking
F	JOGB	Jordan Commercial Bank	Banking
F	INDV	Industrial Development Bank	Banking
F	ARBK	Arab Bank	Banking
F	THBK	The Housing Bank for Trade and Finance	Banking
F	CABK	Cairo Amman Bank	Banking
F	ABCO	Arab Banking Corporation / Jordan	Banking
FS	EMAR	Emmar Investment & Real Estate Development	Real Estate
FS	ULDC	Union Land Development Corporation	Real Estate
FS	UINV	Union Investment Corporation	Diversified Financial Services
FS	IHCO	Ihdathiat Co-Ordinates	Real Estate
FS	REIN	Jordan Dubai Properties	Real Estate
FS	JOCE	Jordan Central	Diversified Financial Services
FS	JLGC	Jordan Loan Guarantee Corporation	Diversified Financial Services
FS	JOMC	Jordan Management & Consulting	Diversified Financial Services
FS	JEIH	Jordanian Expatriates Investment Holding	Diversified Financial Services
FS	AAFI	Al-Amin for Investment	Diversified Financial Services
FS	INMA	Int'l Arabian Development & Investment Trading Co.	Real Estate
FS	BLAD	Al Bilad for Securities & Investment	Diversified Financial Services
FS	SPIC	Specialized Investment Compounds	Real Estate
FS	JNTH	Al-Tajamouat for Catering & Housing Co. Plc.	Real Estate
FS	JOIT	Jordan Investment Trust	Diversified Financial Services
FS	SANA	Al-Sanabel International for Islamic Investments (Holding)	Diversified Financial Services
FS	VFED	Alshamekha for Real Estate & Financial Investments	Real Estate
FS	REAL	Arab East for Real Estate Investments Co.	Real Estate
FS	AEIV	Arab East Investment	Diversified Financial Services
FS	IBFM	International Brokerage & Financial Markets	Diversified Financial Services
FS	ARED	Arab Real Estate Development	Real Estate
I	JOPC	Jordan Paper & Cardboard Factories	Paper and Cardboard Industries

ASE Sector	ASE Code	Company Name	Specialist
FS	IEAI	The Investors & Eastern Arab For Industrial & Real Estate Investments	Real Estate
FS	COHO	Contempro for Housing Projects	Real Estate
FS	AMWL	Amwl Invest	Diversified Financial Services
FS	INVH	Investment House for Financial Services	Diversified Financial Services
FS	BAMB	Beit Al-Mal Saving & Investment for Housing	Real Estate
FS	REDV	Real Estate Development	Real Estate
FS	AMAD	Amad Investment & Real Estate Development	Real Estate
FS	IDMC	Ad-Dulayl Industrial Park Co. & Real Estate	Real Estate
I	JOCM	The Jordan Cement Factories	Mining & Extraction Industries
I	JPHM	The Jordanian Pharmaceutical Manufacturing	Pharmaceutical and Medical Industries
I	JOWM	The Jordan Worsted Mills	Textiles, Leather and Clothing
I	JOPH	Jordan Phosphate Mines	Mining & Extraction Industries
I	UADI	Union Advanced Industries	Printing and Packaging
I	JOPI	The Jordan Pipes Manufacturing	Engineering and Construction
I	ITCC	Al-Eqbal Investment	Tobacco and Cigarettes
I	EKPC	Al-Ekbal Printing & Packaging	Printing and Packaging
I	RMCC	Ready Mix Concrte & Cinstruction Supplies	Engineering and Construction
I	TRAV	Traverine Company Ltd.	Mining & Extraction Industries
I	HPIC	Hayat Pharmaceutical Industries Co.	Pharmaceutical and Medical Industries
I	ICER	International Ceramic Industries	Glass and Ceramic Industries
I	MPHA	Middle East Pharma. & Chmical IND. & Medical Appliances	Pharmaceutical and Medical Industries
I	JOIC	Jordan Chemical Industries	Chemical Industries
I	UMIC	Universal Modern Industries	Food and Beverages
I	GENM	The Public Mining	Mining & Extraction Industries
I	AALU	Arab Aluminium Industry	Mining & Extraction Industries
I	JOST	Jordan Steel	Mining & Extraction Industries
I	MBED	The Arab Pesticides & Veterinary Drugs Mfg. Co.	Chemical Industries
I	ASPMM	Arabian Steel Pipes Manufacturing	Engineering and Construction
I	INOH	Comprehensive Multiple Project Company	Chemical Industries
I	APHC	Arab Center for Pharm. & Chemicals	Pharmaceutical and Medical Industries
I	NATA	National Aluminium Industrial	Mining & Extraction Industries
I	NATC	National Chlorine Industries	Chemical Industries
I	WIRE	National Cable & Wire Manufacturing	Electrical Industries
I	DADI	Dar Al-Dawa Development & Investment	Pharmaceutical and Medical Industries
I	NDAR	Nutri Dar	Food and Beverages

ASE Sector	ASE Code	Company Name	Specialist
S	RJAL	Alia - The Royal Jordanian Airlines	Transportation
S	DKHS	Darwish Al-Khalili & Sons Co. Plc.	Commercial Services
S	JOPT	Jordan Petroleum Refinery	Utilities & Energy
S	JTEL	Jordan Telecom	Technology and Communications
S	SIJC	Specialized Jordanian Investment	Commercial Services
S	JOPP	Jordan Press & Publishing	Media
S	PEDC	Petra Education Company	Educational Services
S	ABMS	Al-Bilad Medical Services	Health Care Services
S	MERM	Al-Tajamouat for Touristic Projects Co. Pls.	Hotels and Tourism
S	SHIP	Jordan national Shipping Lines	Transportation
S	ICMI	International for Medical Investment	Health Care Services
S	MALL	Al-Dawliyah for Hotels & Malls	Hotels and Tourism
S	ZEIC	Al-Zarqa Educational & Investment	Educational Services
S	SITT	Salam International Transport & Trading	Transportation
S	AIEI	The Arab International for Education & Investment	Educational Services
S	CEBC	Al-Faris National Company for Investment & Export	Technology and Communications
S	PRES	Jordan Press Foundation	Media
S	JITC	Jordan international Trading Center	Commercial Services
S	NAQL	Transport & Investment Barter Company	Transportation
S	JETT	Jordan Express Tourist Transport	Transportation
S	IREL	Irbid District Electricity	Utilities & Energy
S	JOEP	Jordan Electric Power	Utilities & Energy
S	ITSC	Ittihad Schools	Educational Services
S	SPTI	Specialized Trading & Investment	Commercial Services
FS	AFIN	Arab Financial Investment	Diversified Financial Services
FS	JRCD	Jordanian Real Estate Company for Development	Real Estate
FS	UCFI	United Financial Investments	Diversified Financial Services
FS	ATTA	Comprehensive Land Development & Investment	Real Estate
FS	NPSC	National Portfolio Securities	Diversified Financial Services
FS	UAIC	United Arab Investors	Diversified Financial Services
I	IENG	Rum Aladdin Industries	Engineering and Construction
I	MECE	Middle East Complex for Eng., Electronics & Heavy Industries	Electrical Industries
I	CEIG	Century Investment Group	Textiles, Leather and Clothing
I	UTOB	Union Tobacco & Cigarette Industries	Tobacco and Cigarettes
I	AEIN	Arab Electrical Industries	Electrical Industries

Note: ASE refers to Amman Stock Exchange, F refers to Financial, FS refers to Financial Services, I refer to Industrial and S refers to Services.

Appendix 2.3 Semi – Structured Interview Questions for the Three Groups

1. English Language

- Auditors:

UNIVERSITY OF DUNDEE

<u>Semi-Structured Interview Questions for External Auditors</u>

Title: The Impact of IFRS 8 on the Disclosure Practices and Reporting Activities of Jordanian Listed Companies

Ghassan H.Mardini
PhD Student, School of Accounting and Finance, University of Dundee
United Kingdom

Date of the Interview…………………………………………………………………
Interviewee Code.………………………………………………………………………
Recorded………………………………………………………………………………...

<u>A- Background Details:</u>

Position……………………………………………………………………………….....

Sex:

☐ Male ☐ Female

Age (group):

☐ 20-25 years ☐ 26-30 years ☐ 31-35 years

☐ 36-40 years ☐ 41-45 years ☐ 46-50 years

☐ Over 50 years

✓	Educational Qualifications	Field/Subject	Place of Graduation
	Bachelor Degree		
	Master Degree		
	PhD		
	Professional Certificates		
	Other		

Member of Professional Body…......………………………………………………….

Years of Experience:

In Current Position?..Previously?............……………….

B: Introduction of IFRS 8:

1- Have you experienced any difficulties associated with the implementation of IFRS 8 and if so, what were these?

2- Did you have any training for this new standard and if so, by whom?

3- Do you believe that the cost (i.e. financial and human resources) of preparing segmental information under IFRS 8 was more or less compared to the cost under IAS 14R? Why:

- Changes in identifying reportable segments?
- Changes in profit/loss measurements employed according to the internal reports?
- Changes in required segmental items under IFRS 8?
- Changes in required entity-wide disclosures under IFRS 8?

4- Did the firms you audited explain about the introduction of IFRS8 to users of the company's financial statements in its initial year of adoption?

C: Information Prepared under IFRS 8 (management approach):

5- Do you think that firms were placed at a competitive disadvantage when identifying reportable segments under IFRS 8 for their 2009 accounts?

6- Do you believe that firms which you audited encountered problems when dividing segmental information between operating segments and entity-wide information as required under IFRS 8?

7- Do you agree that the management approach in IFRS 8 provides a better way of identifying reportable segments than the two-tier approach as required by IAS 14R? Why do you think this?

8- Have you noticed an improvement in the **quality** of segmental information under IFRS 8 in the annual reports of 2009 compared to under IAS 14R in the annual reports of 2008?

9- When auditing companies' financial statements, do you think that the **number** of segments that firms reported on changed under IFRS 8?

10- IFRS 8 allows companies to use non-IFRS measurements when reporting on segments. Did you observe in the 2009 annual reports of Jordanian companies that you audited any non-IFRS measurements being employed?

11- Do you think that a majority of Jordanian listed companies disclosed geographical information for operating segments in their annual reports in 2009, although such disclosures are not mandatory under IFRS 8?

12- Who do you think that the Chief Operating Decision Maker is or should be for the companies that you audited? Why? Was this individual/group clearly identified in the financial statements of listed firms that you audited?

13- Do you think that IFRS 8 disclosures can be effectively regulated as part of the external audit? Were they more difficult to audit than information provided under IAS14 R?

D: Decision Usefulness; Qualitative Characteristics of Financial Statements under IFRS 8:

14- Do you think IFRS 8 segmental information is more useful for the decision-making needs of users than segmental information prepared under IAS 14R?

15- Do you think that segmental information provided under IFRS 8 is more or less understandable by users? Why?

16- Do you think that segmental information provided under IFRS 8 is more or less relevant for users? Does this information help users to evaluate past, present and future events? Why?

17- Do you think that segmental information provided under IFRS 8 is more or less reliable than the information previous supplied under IAS 14R?

18- Do you think that segmental information provided under IFRS 8 is more or less comparable than the information previous supplied under IAS 14R? Why?

19- Is there anything else you would like to tell me about your experiences of IFRS 8?

- Preparers:

Semi-Structured Interview Questions for Preparers

Title: The Impact of IFRS 8 on the Disclosure Practices and Reporting Activities of Jordanian Listed Companies

Ghassan H.Mardini
PhD Student, School of Accounting and Finance, University of Dundee
United Kingdom

Date of the Interview…………………………………………………………………
Interviewee Code.………………………………………………………………………
Company Sector..……………………………………………………………..…...
Recorded…………………………………………………………………………...

A- Background Details:

Position…………………………………………………………………………......

Sex:

☐ Male ☐ Female

Age (group):

☐ 20-25 years ☐ 26-30 years ☐ 31-35 years
☐ 36-40 years ☐ 41-45 years ☐ 46-50 years
☐ Over 50 years

✓	Educational Qualifications	Field/Subject	Place of Graduation
	Bachelor Degree		
	Master Degree		
	PhD		
	Professional Certificates		
	Other		

Member of Professional Body…......……………………………………………………

Years of Experience:

In Current Position?...Previously?...........………………..

B: Introduction of IFRS 8:

1- Have you experienced any difficulties associated with the implementation of IFRS 8 and if so, what were these?

2- Did you have any briefing to help you prepare for this new standard and if so, by whom?

3- Was the cost (i.e. financial and human resources) of preparing segmental information under IFRS 8 more or less compared to the cost under IAS 14R? Why:

- Changes in identifying reportable segments?
- Changes in profit/loss measurements employed according to the internal reports?
- Changes in required segmental items under IFRS 8?
- Changes in required entity-wide disclosures under IFRS 8?

4- Did your firm change their internal reporting practices in preparation for IFRS 8?

5- Did you explain about the introduction of IFRS 8 to users of the company's financial statements in its initial year of adoption? If yes, how was this done?

C: Information Prepared under IFRS 8 (management approach):

6- Do you think that your firm was placed at a competitive disadvantage when identifying reportable segments under IFRS 8 for its 2009 accounts?

7- Did you encounter problems when dividing segmental information between operating segments and entity-wide information as required under IFRS 8?

8- Do you agree that the management approach in IFRS 8 provides a better way of identifying reportable segments than the two-tier approach as required by IAS 14R? Why do you think this?

9- Do you think that IFRS 8 increased the consistency between internal and published financial information? Why?

10- Did the number of segments that you reported on change under IFRS 8?

11- IFRS 8 allows the use of non-IFRS measurements in segmental disclosures; did you employ any non-IFRS measures when preparing your firms' segmental information? If yes, do you think that these measurements provided more relevant information on segment performance rather than IFRS measures?

12- Do you disclose geographical information for operating segments in your annual reports in 2009, although such disclosures are not mandatory under IFRS 8?

13- How did you decided on who the Chief Operating Decision Maker (CODM) was; did you have a debate about this issue within your firm? Did you disclose the identity of the CODM in your financial statements?

14- Do you believe that the segmental information received by the CODM changed once the firm knew that this would be disclosed?

D: Decision Usefulness; Qualitative Characteristics of Financial Statements under IFRS 8:

15- Do you think IFRS 8 segmental information is more useful for the decision-making needs of users than segmental information prepared under IAS14 R?

16- Do you think that segmental information provided under IFRS 8 is more or less understandable by users? Why?

17- Do you think that segmental information provided under IFRS 8 is more or less relevant for users? Does this information help users to evaluate past, present and future events? Why?

18- Do you think that segmental information provided under IFRS 8 is more or less reliable than the information previous supplied under IAS 14R?

19- Do you think that segmental information provided under IFRS 8 is more or less comparable than the information previous supplied under IAS 14R? Why?

20- Is there anything else you would like to tell me about your experiences with IFRS 8?

- Users:

Semi-Structured Interview Questions For Investors and Analysts

Title: The Impact of IFRS 8 on the Disclosure Practices and Reporting Activities of Jordanian Listed Companies

Ghassan H.Mardini
PhD Student, School of Accounting and Finance, University of Dundee
United Kingdom

Date of the Interview…………………………………………………………………
Interviewee Code.………………………………………………………………………..
Recorded……………………………………………………………………………..….

A: Background Details:

Sex:

☐ Male ☐ Female

Age (group):

☐ 20-25 years ☐ 26-30 years ☐ 31-35 years

☐ 36-40 years ☐ 41-45 years ☐ 46-50 years

☐ Over 50 years

✓	Educational Qualifications	Field/Subject	Place of Graduation
	Less Than High School		
	High School		
	Bachelor Degree		
	Master Degree		
	PhD		
	Professional Certificates		
	Other		

Years of Experience:…...……………………………………………………………

Position in Firm:…………………………………………………………………….

B: Segmental Information:

1- Do you examine segment disclosures when analysing the performance of a company?

2- Which segmental disclosures do you find most useful: geographic information by region (or country), company business activities or internal company activities? Why?

3- Which segmental item of information is the most useful for you: revenue, profit, assets, liabilities or reconciliations to consolidated accounts? Why?

C: Information prepared under IFRS 8 (management approach):

4- Have you experienced any difficulties associated with the implementation of IFRS 8 and if so, what were these?

5- Do you think that segmental information disclosed under the management approach of IFRS 8 helps users to understand a company's activities and interpret its performance? Why?

6- Have you noticed an improvement in the **quality** of segmental information under IFRS 8 in the annual reports of 2009 compared to the IAS 14R approach in the annual reports of 2008?

7- Do you believe that the **identity** of segments has varied with the introduction of IFRS 8; if yes, how?

8- Do you believe that the **number** of segments reported for companies that you invest in changed under IFRS 8; if yes, how?

9- IFRS 8 allows companies to use non-IFRS measurements when reporting on segments. Did you observe whether or not non-IFRS measurements were employed in the annual reports of Jordanian companies for 2009?

10- Do you think that a majority of Jordanian listed companies disclosed geographical information for operating segments in their annual reports in 2009, although such disclosures are not mandatory under IFRS 8?

11- Who do you think that the Chief Operating Decision Maker (CODM) is or should be for the companies in which you invest? Why? Was the CODM identified in the financial statements of companies that you invest in?

D: Decision Usefulness; Qualitative Characteristics of Financial Statements under IFRS 8:

12- Do you think IFRS 8 segmental information is more useful for the decision-making than segmental information prepared under IAS 14R?

13- Do you think that segmental information provided under IFRS 8 is more or less understandable by users? Why?

14- Do you think that segmental information provided under IFRS 8 is more or less relevant for users? Does this information helps you to evaluate past, present and future events? Why?

15- Do you think that segmental information provided under IFRS 8 is more or less reliable than the information previous supplied under IAS 14R?

16- Do you think that segmental information provided under IFRS 8 is more or less comparable than the information previous supplied under IAS 14R? Why?

17- Is there anything else you would like to tell me about your experiences with IFRS 8?

2. Arabic Language

مراجعي الحسابات الخارجيين

أسئلة المقابلة شبه المنظمة لمراجعي الحسابات الخارجيين

العنوان : أثر معيار التقارير المالية الدولي رقم 8 (القطاعات التشغيلية) بشأن ممارسات الإفصاح والإبلاغ عن أنشطة الشركات الأردنية المدرجة

غسان هاني مارديني
طالب دكتوراه ، كلية المحاسبة والمالية ، جامعة دندي
المملكة المتحدة

تاريخ المقابلة...

رمز من أجريت معه المقابلة..

تم تسجيل المقابلة...

أ- معلومات عامة:

المكانة الوظيفية...

الجنس:

ذكر ☐ انثى ☐

العمر (مجموعة):

20 – 25 سنة ☐ 26 – 30 سنة ☐ 31 – 35 سنة ☐

36 – 40 سنة ☐ 41 – 45 سنة ☐ 46 – 50 سنة ☐

أكثر من 50 سنة ☐

✓	**المؤهلات العلمية**	**الحقل / الموضوع**	**مكان التخرج**
	بكالوريوس		
	ماجستير		
	دكتوراه		
	شهادات مهنية		

			أخرى

العضوية في هيئة مهنية..

عدد سنوات الخبرة:

في المكانة الوظيفية الحالية؟.. سابقا؟...................................

ب – التمهيد لمعيار التقارير المالية الدولي رقم 8 (سنة التطبيق الاولى 2009):

1- هل واجهت أي صعوبات مرتبطة بتطبيق معيار التقارير المالية الدولي رقم 8، وإذا كان الأمر كذلك، فما هي هذه الصعوبات؟

2- هل حصلت على أي تدريب لهذا المعيار الجديد ، وإذا كان الأمر كذلك ، من قبل من؟

3- هل تعتقد أن تكلفة (الموارد المالية والبشرية) إعداد المعلومات القطاعية في إطار معيار التقارير المالية الدولي رقم 8 أكثر أو أقل بالمقارنة مع التكلفة في إطار المعيار المحاسبي الدولي السابق رقم 14 (المعدل) (IAS 14R)؟ لماذا:

- التغيرات في تحديد القطاعات المفصح عنها؟
- التغيرات في قياسات الربح / الخسارة وفقا للتقارير الداخلية؟
- التغيرات في البنود القطاعية المطلوبة بموجب المعيار رقم 8؟
- التغيرات المطلوبة في الافصاح عن نطاق الكيان الجغرافي للشركة بموجب المعيار رقم 8؟

4- هل الشركات التي قمت بتدقيق حساباتها عمدت الى شرح الية المعيار الجديد لمستخدمي البيانات المالية للشركة في سنته الأولى (2009) من الاعتماد؟

ج- المعلومات المعدة بموجب معيار التقارير المالية الدولي رقم 8 (نـهج الاداره):

5- هل تعتقد أن الشركات تعرضت لوضع تنافسي أقوى عند تحديد القطاعات المفصح عنها بموجب المعيار الجديد في التقارير السنوية لسنة 2009؟

6- هل تعتقد أن الشركات التي قمت بمراجعة حساباتها قد واجهت مشاكل عند تقسيم المعلومات القطاعية بين قطاعات التشغيل والمعلومات على نطاق الكيان الجغرافي بموجب معيار التقارير المالية الدولي رقم 8؟

7- هل توافق على أن نهج الإدارة (Management Approach) في المعيار الجديد يوفر طريقة أفضل لتحديد القطاعات المفصح عنها من نهج النموذجين (Two-tier Approach) كما هو مطلوب من قبل المعيار السابق؟ لماذا تعتقد ذلك؟

8- هل لاحظت وجود تحسن في **نوعية** المعلومات القطاعية بموجب معيار التقارير المالية الدولي رقم 8 في التقارير السنوية لعام 2009 بالمقارنة مع معيار المحاسبة الدولي الملغي رقم 14 (المعدل) في التقارير السنوية لعام 2008؟

9- عند مراجعة البيانات المالية للشركات، هل تعتقد أن **عدد** القطاعات المفصح عنها قد اختلف بموجب المعيار الجديد؟

10- أن معيار التقارير المالية الدولي رقم 8 يسمح للشركات بإستخدام مبادئ غير المبادئ المحاسبية المقبولة قبولا عاما لقياس المعلومات القطاعية المفصح عنها. هل لاحظت في التقارير السنوية 2009 للشركات الأردنية أي قياسات غير المبادئ المحاسبية المقبولة قبولا عاما لقياس المعلومات القطاعية؟

11- هل تعتقد أن غالبية الشركات المدرجة في البورصة الاردنية قد افصحت عن المعلومات الجغرافية للقطاعات العاملة في تقاريرها السنوية لعام 2009، على الرغم من أن الافصاح عن مثل هذه المعلومات ليس إلزامياً بموجب المعيار الجديد؟

12- من تعتقد الممثل "للرئيس التنفيذي و صانع القرار التشغيلي" أو الذي ينبغي أن يكون للشركات التي تقوم بمراجعة حساباتها؟ لماذا؟ وهل هذا الشخص / المجموعة قد تم تحديده بوضوح في البيانات المالية للشركات المدرجة التي قمت بتدقيقها؟

13- هل تعتقد أن الافصاحات بموجب معيار التقارير المالية الدولي رقم 8 يمكن تنظيمها (مراجعتها) بشكل فعال كجزء من المراجعة الخارجية من قبل المدقق الخارجي؟ هل مراجعة هذه الافصاحات أكثر صعوبة من المعلومات المقدمة بموجب المعيار السابق؟

د- الخصائص النوعية للبيانات المالية في إطار معيار التقارير المالية الدولي رقم 8:

14- هل تعتقد أن المعلومات القطاعية بموجب معيار التقارير المالية الدولي رقم 8 أكثر فائدة لتلبية احتياجات المستخدمين في صنع القرار مقارنة مع المعلومات القطاعية التي أعدت بموجب المعيار السابق "معيار المحاسبة الدولي رقم 14 (المعدل)"؟

15- هل تعتقد أن المعلومات القطاعية المفصح عنها بموجب المعيار الجديد أكثر أو أقل **قابلية للفهم** من قبل مستخدمي القوائم المالية؟ لماذا؟

16- هل تعتقد أن المعلومات القطاعية المفصح عنها بموجب المعيار الجديد أكثر أو أقل **ملاءمة** بالنسبة للمستخدمين؟ هل هذه المعلومات تساعد المستخدمين لتقييم الاحداث المالية الماضية، الحاضره والمستقبلية؟ لماذا؟

17- هل تعتقد أن المعلومات القطاعية المفصح عنها بموجب المعيار الجديد أكثر أو أقل **موثوقية** من المعلومات السابقة المقدمة بموجب المعيار السابق؟

18- هل تعتقد أن المعلومات القطاعية المفصح عنها بموجب المعيار الجديد أكثر أو أقل **قابلية للمقارنة** من المعلومات المفصح عنها بموجب المعيار السابق؟

19- هل هنالك أي شيء آخر تريد أن تخبرني به عن خبرتك لهذا المعيار الجديد؟

أسئلة المقابلة شبه المنظمة لمعدي القوائم المالية

العنوان : أثر معيار التقارير المالية الدولي رقم 8 (القطاعات التشغيلية) بشأن ممارسات الإفصاح والإبلاغ عن أنشطة الشركات الأردنية المدرجة

غسان هاني مارديني
طالب دكتوراه ، كلية المحاسبة والمالية ، جامعة دندي
المملكة المتحدة

تاريخ المقابلة...
رمز من أجريت معه المقابلة...
قطاع الشركة...
تم تسجيل المقابلة...

أـ معلومات عامة:

المكانة الوظيفية..

الجنس:

ذكر ☐ انثى ☐

العمر (مجموعة):

20 – 25 سنة ☐ 26 – 30 سنة ☐ 31 – 35 سنة ☐

36 – 40 سنة ☐ 41 – 45 سنة ☐ 46 – 50 سنة ☐

أكثر من 50 سنة ☐

✓	المؤهلات العلمية	الحقل / الموضوع	مكان التخرج
	بكالوريوس		
	ماجستير		
	دكتوراه		
	شهادات مهنية		
	أخرى		

العضوية في هيئة مهنية...

عدد سنوات الخبرة:

في المكانة الوظيفية الحالية؟... سابقا؟..................................

ب – التمهيد لمعيار التقارير المالية الدولى رقم 8 (سنة التطبيق الاولى 2009):

1- هل واجهت أي صعوبات مرتبطة بتطبيق معيار التقارير المالية الدولي رقم 8، وإذا كان الأمر كذلك، فما هي هذه الصعوبات؟

2- هل احطت للاستعداد لهذا المعيار الجديد، وإذا كان الأمر كذلك ، من قبل من؟

3- هل تكلفة (الموارد المالية والبشرية) إعداد المعلومات القطاعية في إطار معيار التقارير المالية الدولي رقم 8 أكثر أو أقل بالمقارنة مع التكلفة في إطار المعيار المحاسبي الدولي السابق رقم 14(المعدل)؟ لماذا:

- التغيرات في تحديد القطاعات المفصح عنها؟
- التغيرات في قياسات الربح / الخسارة وفقا للتقارير الداخلية؟
- التغيرات في البنود القطاعية المطلوبة بموجب المعيار رقم 8؟
- التغيرات المطلوبة في الافصاح عن نطاق الكيان الجغرافي للشركة بموجب المعيار رقم 8؟

4- هل شركتك قامت بتغير ممارساتها المحاسبية المتبعة في التقارير الداخلية استعدادا لهذا المعيار الجديد؟

5- هل قمت بشرح الية المعيار الجديد لمستخدمي البيانات المالية للشركة في سنته الأولى (2009) من الاعتماد؟ إذا كان الجواب نعم ، كيف تم ذلك؟

ج- المعلومات المعدة بموجب معيار التقارير المالية الدولى رقم 8 (نهج الاداره):

6- هل تعتقد أن شركتك قد تعرضت لوضع تنافسي أقوى عند تحديد القطاعات المفصح عنها بموجب المعيار الجديد في التقرير السنوي لسنة 2009؟

7- هل واجهت مشاكل عند تقسيم المعلومات القطاعية بين قطاعات التشغيل والمعلومات على نطاق الكيان الجغرافي بموجب معيار التقارير المالية الدولي رقم 8؟

8- هل توافق على أن نهج الإدارة (Management Approach) في المعيار الجديد يوفر طريقة أفضل لتحديد القطاعات المفصح عنها من نهج النموذجين (Two-tier Approach) كما هو مطلوب من قبل المعيار السابق؟ لماذا تعتقد ذلك؟

9- هل تعتقد أن هنالك ازدياد في تطابق (تناسق) المعلومات المالية الداخلية والمعلومات المنشوره بموجب معيار التقارير المالية الدولي رقم 8؟ لماذا؟

10- هل تعتقد أن عدد القطاعات التي قمت بالافصاح عنها قد اختلفت بموجب المعيار الجديد؟

11- أن معيار التقارير المالية الدولي رقم 8 يسمح بإستخدام مبادئ غير المبادئ المحاسبية المقبولة قبولا عاما لقياس المعلومات القطاعية المفصح عنها. هل تستخدم أي مقاييس غير مبادئ المحاسبة عند إعداد المعلومات القطاعية الخاصة بالشركة؟ إذا كان الجواب نعم ، هل تعتقد أن هذه القياسات أكثر ملاءمة بالنسبة للأداء القطاعي بدلا من مقاييس مبادئ المحاسبة المقبولة عموما؟

12- هل افصحت عن المعلومات الجغرافية للقطاعات العاملة في التقرير السنوي لعام 2009، على الرغم من أن الافصاح عن مثل هذه المعلومات ليس إلزامياً بموجب المعيار الجديد؟

13- كيف تم اقرار ممثل "الرئيس التنفيذي و صانع القرار التشغيلي" (CODM) للمعلومات القطاعية، هل كان هنالك نقاش حول هذه المسألة داخل شركتك؟ هل تم الافصاح عن هوية (CODM) في البيانات المالية المنشوره الخاصة بالشركة؟

14- هل تعتقد أن المعلومات القطاعية المستلمة من قبل (CODM) قد تغيرت عندما علمت الشركة بأن هذه البيانات المالية سوف يتم الافصاح عنها؟

د- الخصائص النوعية للبيانات المالية في إطار معيار التقارير المالية الدولي رقم 8:

15- هل تعتقد أن المعلومات القطاعية بموجب معيار التقارير المالية الدولي رقم 8 أكثر فائدة لتلبية احتياجات المستخدمين في صنع القرار مقارنة مع المعلومات القطاعية التي أعدت بموجب المعيار السابق "معيار المحاسبة الدولي رقم 14 (المعدل)"؟

16- هل تعتقد أن المعلومات القطاعية المفصح عنها بموجب المعيار الجديد أكثر أو أقل **قابلية للفهم** من قبل مستخدمي القوائم المالية؟ لماذا؟

17- هل تعتقد أن المعلومات القطاعية المفصح عنها بموجب المعيار الجديد أكثر أو أقل **ملاءمة** بالنسبة للمستخدمين؟ هل هذه المعلومات تساعد المستخدمين لتقييم الاحداث المالية الماضية، الحاضره والمستقبلية؟ لماذا؟

18- هل تعتقد أن المعلومات القطاعية المفصح عنها بموجب المعيار الجديد أكثر أو أقل **موثوقية** من المعلومات السابقة المقدمة بموجب المعيار السابق؟

19- هل تعتقد أن المعلومات القطاعية المفصح عنها بموجب المعيار الجديد أكثر أو أقل **قابلية للمقارنة** من المعلومات المفصح عنها بموجب المعيار السابق؟

20- هل هنالك أي شيء آخر تريد أن تخبرني به عن خبرتك لهذا المعيار الجديد؟

أسئلة المقابلة شبه المنظمة لمستخدمي القوائم المالية (المستثمرين و المحللين)

العنوان : أثر معيار التقارير المالية الدولي رقم 8 (القطاعات التشغيلية) بشأن ممارسات الإفصاح و الإبلاغ عن أنشطة الشركات الأردنية المدرجة

غسان هاني مارديني
طالب دكتوراه ، كلية المحاسبة و المالية ، جامعة دندي
المملكة المتحدة

تاريخ المقابلة...
رمز من أجريت معه المقابلة..
تم تسجيل المقابلة...

أ- معلومات عامة:

الجنس:

ذكر ☐ انثى ☐

العمر (مجموعة):

20 – 25 سنة ☐ 26 – 30 سنة ☐ 31 – 35 سنة ☐

36 – 40 سنة ☐ 41 – 45 سنة ☐ 46 – 50 سنة ☐

أكثر من 50 سنة ☐

✓	المؤهلات العلمية	الحقل / الموضوع	مكان التخرج
	أقل من ثانوية عامة		
	ثانوية عامة		
	بكالوريوس		
	ماجستير		
	دكتوراه		
	شهادات مهنية		
	أخرى		

عدد سنوات الخبرة...

المكانة الوظيفية في الشركة...

ب- المعلومات القطاعية:

1- هل تأخذ الافصاحات القطاعية بنظر الاعتبار عندما تقوم بتحليل و تقييم أداء الشركة ؟

2- أي من الافصاحات القطاعية التالية تجده أكثر فائدة بالنسبة لك في اتخاذ القرارات الاستثمارية / التحليلية: المعلومات الجغرافية حسب المنطقة (أو البلد)، أنشطة أعمال الشركة أو معلومات الأنشطة الداخلية للشركة؟ لماذا؟

3- أي من العناصر القطاعية التالية الأكثر فائدة بالنسبة لك في اتخاذ القرارات الاستثمارية / التحليلية: الإيرادات، الأرباح، الأصول، الخصوم أو تسويات الحسابات الموحدة؟ لماذا؟

ج- المعلومات المعدة بموجب معيار التقارير المالية الدولي رقم 8 "نهج الاداره" (سنة التطبيق 2009):

4- هل واجهت أي صعوبات مرتبطة بتطبيق معيار التقارير المالية الدولي رقم 8، وإذا كان الأمر كذلك، فما هي هذه الصعوبات؟

5- هل تعتقد أن الافصاح عن المعلومات القطاعية في إطار نهج الادارة (Management Approach) بموجب معيار التقارير المالية الدولي رقم 8 يساعد مستخدمي القوائم المالية على فهم أنشطة الشركة وتقييم أدائها؟ لماذا؟

6- هل لاحظت وجود تحسن في **نوعية** المعلومات القطاعية بموجب معيار التقارير المالية الدولي رقم 8 في التقارير السنوية لعام 2009 بالمقارنة مع معيار المحاسبة الدولي الملغي رقم 14 (المعدل) في التقارير السنوية لعام 2008؟

7- هل تعتقد أن **تحديد** (تعريف) القطاعات المفصح عنها قد اختلف بموجب المعيار الجديد، وإذا كان الجواب نعم ، كيف؟

8- هل تعتقد أن **عدد** القطاعات المفصح عنها للشركات التي تستثمر بها قد اختلفت بموجب معيار التقارير المالية الدولي رقم 8، وإذا كان الجواب نعم ، كيف؟

9- أن معيار التقارير المالية الدولي رقم 8 يسمح للشركات بإستخدام مبادئ غير المبادئ المحاسبية المقبولة قبولا عاما لقياس المعلومات القطاعية المفصح عنها. هل لاحظت في التقارير السنوية 2009 للشركات الأردنية أي قياسات غير المبادئ المحاسبية المقبولة قبولا عاما لقياس المعلومات القطاعية؟

10- هل تعتقد أن غالبية الشركات المدرجة في البورصة الاردنية قد افصحت عن المعلومات الجغرافية للقطاعات العاملة في تقاريرها السنوية لعام 2009، على الرغم من أن الافصاح عن مثل هذه المعلومات ليس إلزامياً بموجب المعيار الجديد؟

11- من تعتقد الممثل "للرئيس التنفيذي و صانع القرار التشغيلي" أو الذي ينبغي أن يكون للشركات التي تستثمر بها؟ لماذا؟ وهل هذا الشخص / المجموعة قد تم تحديده بوضوح في البيانات المالية للشركات المدرجة التي تستثمر بها؟

د- الخصائص النوعية للبيانات المالية في إطار معيار التقارير المالية الدولي رقم 8:

12- هل تعتقد أن المعلومات القطاعية بموجب معيار التقارير المالية الدولي رقم 8 أكثر فائدة لتلبية احتياجات المستخدمين في صنع القرار مقارنة مع المعلومات القطاعية التي أعدت بموجب المعيار السابق "معيار المحاسبة الدولي رقم 14 (المعدل)"؟

13- هل تعتقد أن المعلومات القطاعية المفصح عنها بموجب المعيار الجديد أكثر أو أقل **قابلية للفهم** من قبل مستخدمي القوائم المالية؟ لماذا؟

14- هل تعتقد أن المعلومات القطاعية المفصح عنها بموجب المعيار الجديد أكثر أو أقل **ملاءمة** بالنسبة للمستخدمين؟ هل هذه المعلومات ساعدتك لتقييم الاحداث المالية الماضية، الحاضره والمستقبلية؟ لماذا؟

15- هل تعتقد أن المعلومات القطاعية المفصح عنها بموجب المعيار الجديد أكثر أو أقل **موثوقية** من المعلومات السابقة المقدمة بموجب المعيار السابق؟

16- هل تعتقد أن المعلومات القطاعية المفصح عنها بموجب المعيار الجديد أكثر أو أقل **قابلية للمقارنة** من المعلومات المفصح عنها بموجب المعيار السابق؟

17- هل هنالك أي شيء آخر تريد أن تخبرني به عن خبرتك لهذا المعيار الجديد؟

Appendix 2.4 Supplementary Materials for Interviewees

Item One: IFRS 8 Abstract

International Financial Reporting Standard No. 8 (Operating Segments)
Effective Date: 1/1/2009

Objective

The objective of this standard is to determine the required disclosures to aid users of financial statements to assess the nature of operating activities involving the facility, and raised financial and economic environments in which they operate.

Applicability

This standard applies to the separate or individual financial statements of entities are tradable in securities market, as well as entities that are in issuance of securities traded in the market, and that files or is in the process of filling.

Operating Segment, it is an element of the entity that:

1. Involved in operating activates may earn revenues and incur such expenses.
2. Operating results are regularly reviewed by the entity's Chief Operating Decision Maker (CODM) to make decisions about which resources will be allocated to the segment and assess its performance.
3. Separate financial information is available.

Basis of Measurement

- Adjustments and eliminations made in preparing an entity's financial statements and allocations of revenues, expenses and profit or loss are included in the determination of the profit or loss were included in the financial reports only if they are included in the measurements of the segment's profit or loss were used by the CODM based on internal reports of the entity. Similarly to assets as well as to liabilities if it is recognized by the CODM.

- The measurements disclosed are those that the management believes as the most compatible with measurement of the corresponding amounts in the internal financial statements of the entity (management approach). IFRS 8 allows the use of non-IFRS to measure the segmental information disclosed.
- An entity should provide an explanation of the measurement for profit or loss, assets and (liabilities if recognized by the CODM) for each segment included in the financial statements.
- An entity should provide reconciliations to consolidated accounts for:
  1. Total segmental revenues.
  2. Total segmental profit or loss.
  3. Total segmental assets and liabilities.

Disclosure Requirements

In order to achieve the objective above, the entity shall disclose the following:

1. General information, the factors used to identify the entity's reportable segments, and the types of products and services from which it derives its income.
2. Qualitative information, a measure of segmental profit or loss and total assets for each segment, and liabilities if regularly recognized by the CODM.
3. Entity-Wide disclosures:

- An entity shall disclose the revenues from external customers for each product or service, unless this information is not available or its costs excessive. In this case, that fact shall be disclosed.
- An entity shall disclose the following geographical information, unless this information is not available and the cost to develop it would be excessive; revenues from external customers and assets.
- An entity shall provide information about the extent of reliance on major clients, and if revenues derived from transactions with a client are equal to 10% or more of the entity revenue, it is incumbent on the entity to disclose this fact.

In summary, the fundamental differences between the new standard and the previous standard “International Accounting Standard No. 14 (Revised)” (Segment Reporting) are:

1. The new standard adopts the management approach based on internal reports of the entity in the disclosure of segmental information, while the previous standard approach adopts the two-tier approach (primary and secondary segment) and required to disclose more segmental information for the primary segment.
2. The new standard required companies to disclose general information and entity-wide disclosures, while the previous standard did not required these information.
3. The new standard is not required to disclose geographical information of the company, while the previous standard required to disclose this information either primary or secondary form.

4. The new standard allows employing non-IFRS measurements to measure the segmental information disclosed, while this permit not measurements were not mentioned in the previous standard.

Item Two: Decision Usefulness; Qualitative Characteristics of Financial Statements

1 – Understandability

- This refers to the ability to understand the financial statements by users.
- Supposed to provide a reasonable level of knowledge among users.
- Should not exclude information on important issues even if they are relatively complex.

2- Relevance

- The appropriate information that is useful to the needs of decision makers.
- Convenience in the property achieved when the information to help decision-making through the assessment of past, present and future events, and confirming or correcting their past evaluations.
- Can enhance the predictive capacity of the financial statements through the expansion in the level of disclosure, such as items to differentiate between ordinary and extraordinary in the income statement.

A. Materiality

- Information is valuable material if its omission or misstatement could influence the decisions of users.
- Depend on the materiality size of the item.

3- Reliability

- The financial statements are free of material misstatement and bias.
- Reliability by users.

A. Faithful Representation

To represent faithfully, the transactions of financial information and other events, which is supposed to represent or imply that it is reasonable depending on the standards and principles recognition.

B. Substance over Form

- Rely on the essence of accounting operations, events, economic reality and not only on the legal form.
- For instance, sale of an asset with future economic benefits retained despite the existence of documents and the transfer of ownership, the recognition of this process as a sale, does not represent a truly economic event.

C. Neutrality

The financial statements are free from bias.

D. Prudence

- The preparer of the financial statements doing enough ti cope with uncertainty.

- Such as, the ability of bad debts, and determination of the economic life of the assets, prudence of inflating the assets or income and prudence to reduce the liabilities and expenses.

E. Completeness

- The financial information should be complete within the limits of materiality and cost.
- Delete the financial information that it can be false or misleading.

4- Comparability

- Comparability over time for the same project.
- Comparability between projects.
- Stability in the foundations of measurement and presentation.
- Disclosure of accounting policies used and the variations and the impact of change of accounting policies.
- Display the financial statements to comparison with previous years.

Appendix 2.5 Cover Letter for Interviews

19th July 2010

To Whom It May Concern:

Re: Mr Ghassan Mardini

We are writing on behalf of Mr Ghassan Mardini, a PhD student in the School of Accounting & Finance at the University of Dundee, Scotland, UK. As a part of the research for his thesis on segmental reporting in Jordan, Mr Ghassan is hoping to conduct interviews with external auditors, preparers and users of financial statements to obtain their views about the introduction of International Financial Reporting Standard 8 (Operating Segments). We would therefore be extremely grateful if you would allow Mr Ghassan to interview you for his work and help facilitate what we believe to be an important study in the area.

If you require any further information please do not hesitate to contact us.

Professor David M. Power
Professor of Accounting,
School of Accounting & Finance,
University of Dundee,
Dundee,
Scotland, UK
E-mail: d.m.power@dundee.ac.uk

Dr. Louise Crawford
Lecturer in Accounting,
School of Accounting & Finance,
University of Dundee,
Dundee,
Scotland, UK
Email: l.z.crawford@dundee.ac.uk

Appendix 3

Appendix 3.1 Segmental Items Disclosed

Segmental Items Disclosed (absolute numbers) for 2008 and 2009 for the Same Firm Based on IAS 14R Requirements						
	2008			2009		
Requirements (IAS 14R)	**Business**	**Geographic**	**Other**	**Business**	**Geographic**	**Other**
Revenue (external)	51	49	-	60	65	-
Revenue (internal) (BS)	5	0	-	5	N/R	-
Profit (BS)	33	0	-	48	N/R	-
Assets	37	26	-	57	56	-
Basis of inter-segment pricing (BS)	4	0	-	4	N/R	-
Liabilities (BS)	35	0	-	54	N/R	-
Capital expenditures	25	17	-	25	15	-
Depreciation & amortisation (BS)	28	0	-	40	N/R	-
Other non-cash expenses (BS)	11	0	-	10	N/R	-
Profit from associates and joint ventures (BS)	13	0	-	18	N/R	-
Reconciliation to consolidated accounts (BS)	20	0	-	18	N/R	-
Type of products/services of Business Classes	-	-	49	-	-	62
Composition of Geographic Segments	-	-	38	-	-	46
Voluntary (added items)						
Profit for (OGS)	-	0	-	-	6	-
Liabilities (OGS)	-	3	-	-	6	-
Depreciation & amortisation (OGS)	-	0	-	-	5	-
Other non-cash expenses (OGS)	-	0	-	-	1	-
Reconciliation to consolidated accounts (OGS)	-	0	-	-	2	-
Revenue (internal) (OGS)	1	-	-	-	-	-
Basis of inter-segment pricing (OGS)	1	-	-	-	-	-
Profit from associates and joint ventures (OGS)	-	0.0	-	-	2	-
Net cash flow	1	-	-	-	-	-
Reserves	1	-	-	-	-	-
Basis of measurement	0	0.0	-	43	9	-
Interest revenue	0	0.0	-	7	3	-
Interest expense	0	0.0	-	5	2	-
Income tax expense	0	0.0	-	20	5	-
Direct administrative expenses	0	-	-	3	-	-
Investments	0	-	-	1	-	-
Intangible assets	0	-	-	1	-	-
Factors used to identify the entity's segments	-	-	0	-	-	20
Entity-wide (major customers)	-	-	0	-	-	38
Entity-wide (products and services)	-	-	0	-	-	0

Appendix 4

Appendix 4.1 Translation of Interviewees' Quotations in their Arabic Language

Translation of Major Quotations Into Arabic Language		
Interviewee Code	**Page**	**Translation**
EA5	230	بالنسبة لي لا توجد مشكلة. لكن واجهت مشاكل مع مُعِدي القوائم المالية حول هذا المعيار. عندما كنا نطلب من عملائنا استفسارات عن المعلومات القطاعية، كانوا يسألوننا لماذا؟ أعتقد أنهم يواجهون مشاكل مع منهجية معيار التقرير المالي الدولي رقم 8.
EA4	232	نعم، من قبل جمعية المحاسبين القانونين الأردنيين و مركزها للتدريب المهني. ليس عن هذا المعيار بوجه التحديد، بل على التغير في المعايير بشكل عام.
U12	232	نعم، اعتقد ان المعيار الجديد اعطي مجالا اكبر للشركات للتلاعب في الافصاحات القطاعية، بحيث ان يتم التهرب من بعض البيانات الأفصاحيه بحجة انها لم يتم أعدادها داخليا او لم تقرئ من قبل صانع القرار التشغيلي، ما هو الدليل لتصديقهم؟.
P1	234	تم اعتماد أسس داخلية جديده تسمى (drivers) لأغراض هذا المعيار. فمثلا عندما يتحقق مصروف أو التزام يتم توزيعه على القطاعات المعنية بناءا على (drivers). مثل مصروف فواتير الكهرباء نعتمد على المساحة أو عدد الموظفين لغرض توزيعها على القطاعات. وهذا ما نسميه (driver) الكود الخاص بها.
P1	234	أن اعادة تحديد قطاعات البنك أدت الى تحمل تكاليف اضافية حيث ان قسم المحاسبة قد قام بطلب معلومات اضافية لهذا الغرض وهكذا تحمل البنك مصاريف اضافية.
EA1	236	نعم، لقد قامت الشركات بشرح آلية هذا المعيار والمعايير بشكل عام، لكن أن لم يتم ذلك نوجه لهم اشارة بذلك. أنها مسؤوليتي لتنبيههم بذلك.
P2	242	نعم، أن هذه المعلومات قد تم أعدادها للأغراض الداخليه. وقد تم مراجعتها من قبل معدي القوائم الماليه لأغراض الافصاح عنها. وعليه، ستصبح لدى معدي هذه القوائم الماليه فكره استيعابيه أفضل حول أداء الشركه.
U6	243	أن منهج الأداره المتبنى في هذا المعيار يتأقلم بشكل أفضل مع أهداف مجلس معايير المحاسبه الدولية وبشكل منطقي. لكن وللأسف، نسبة الشركات التي تقوم بتطبيق هذا المعيار ودرجة الألتزام بمتطلباته تختلف من شركة لأخرى وبين قطاعات سوق عمان المالي.
P7	245	لا، لأهداف ضريبية و تدقيقية. ايضا هذا يتطلب عمل تسويات وعليه الشركة تتحمل تكاليف اضافية هي بغنى عنها.
U6	245	لا، لأن المبادئ المحاسبية المتعارف عليها هي الأساس و اعتقد انه صعب تغيير الأساس. مثلا، أن مبدا الاستحقاق هو مبدأ عادل للمبيعات و المصاريف و البنود الاخرى، حتى لو أن المعيار يسمح بتغيير المبادئ الاساسية لكن الاساس يبقى هو الأساس. أعتقد أن بعض الأسس سوف تؤثر على المركز المالي بشكل سلبي مثل الأساس النقدي.
P5	247	لا، لانني أعتقد أن هذه المعلومة غير مفيدة للمستثمر في صناعة قراراته الاستثمارية.
U2	247	انا برأي المدير التنفيذي. عندما نقوم بحضور الاجتماعات الدورية الخاصة بالشركة نرى أن المدير التنفيذي هو من يتكلم عن أداء الشركة للعمليات التشغيلية. وعليه أعتقد أن المدير التنفيذي هو الاكثر إلماماً بالنشاطات التشغيلية للشركة.
P1	248	تم تشكيل لجنة لهذا الغرض وأوصت بتغيير الية تحديد قطاعات البنك و

		الرئيس التنفيذي هو من قام بالتنفيذ وأتخذ القرار النهائي.
U13	249	أن لا يكون شخص واحد لأن القرار الشخصي معرض للخطأ بشكل كبير , يجب ان يكون لجنة مكونة من مجلس الأداره، والمدير المالي و المدير التنفيذي.
EA3	250	أعتقد ان بعض الشركات واجهت مشاكل في تغيير النظام الداخلي للتناسب مع متطلبات نطاق الكيان الجغرافي، وعليه كان هنالك تضارب في البيانات المالية لبعض الشركات التي قمت بتدقيقها.
EA1	251	أعتقد أن بعض البنوك، وربما لأسباب تنافسيه لم تقوم بالأفصاح بشكل تفصيلي عن أعمالها الجغرافيه خارج الأردن. لا أعتقد أن مستوى الأفصاح قد تغير في البنوك، ولكن ربما ازداد مستوى افصاح القطاعات الأخرى وخاصة الشركات الصناعية.
P5	252	نعم، اؤمن بأن كل ما ازداد عدد البنود المفصح عنها كلما اشتدت المنافسة، وخاصة في قطاع البنوك. ان الأفصاح المحاسبي ازداد بموجب هذا المعيار، لان المعلومات الداخلية المعدة من قبل صانع القرار التشغيلي تكون اكبر، وعليه قد تم الأفصاح عن بعض سياسات الشرك
U6	255	هنالك نسبة من شركات الخدمات المالية المدرجة قد خفضت من أنتشارها الجغرافي للخدمات التي تقوم بتقديمها وذلك بسبب الأزمة المالية الحالية. وعليه فأن مستوى الأفصاح في عام 2009 لعدد القطاعات الجغرافية قد انخفض.
EA1	259	أن معظم البنوك المدرجه في عام 2009 قد أفصحت عن مناطقها الجغرافية داخل الأردن وخارج الأردن. بشكل عام، أن الأفصاحات التي تزيد من درجة الثقة عند المستثمرين بهذه الشركة لايجب الأعتراض عليها من قبل أدارة الشركة.
EA9	260	نحن كمدققين، على سبيل المثال نقوم بأجراءات التدقيق على الايرادات. من حيث القطاعات يهمني أن اعرف مصدر هذه التوزيعات. مثلا ارباح خارجية مليون دينار في اسيا، اقوم بأخذ عينة من هذه التفاصيل الخاصة بأسيا وأتأكد انها فعلاً عملية بيع في اسيا ام انها في امريكا ومسجلة في اسيا. بموجب المعيار الجديد اصبحنا نركز على هذه التفاصيل بشكل اكثر و مقارنتها مع التقارير الداخلية الاولية الخاصة بالشركة.
P5	261	بعض البنود مهمة بالنسبة للمستخدمين الخارجيين وخاصة المستثمرين، المحللين و الموردين.لكن للأسباب تنافسية تم اختصار بعض البنود. مثلا بيان المبيعات الخارجية، تم الافصاح عن المبلغ الاجمالي دون توضيح المناطق الجغرافية بشكل مباشر.
U10	263	نعم، وخاصة مصادر الارباح و الايرادات. لكن للاسف ليس جميع الشركات تفصح عن هذه المعلومات. ولا يُطبق هذا المعيار بشكل كامل من جميع الشركات.
U12	264	أنا لا يهمني اين تتوسع الشركة لكن يهمني ان انشطتها قوية. فمثلا كبنك يهمني قسم القروض: كم حصل على أيرادات بغض النظر داخل او خارج الاردن
U10	267	كمحلل مالي الاهم هو الايراد، اذا لم يكن هنالك ايراد اذن لا يوجد هنالك ربح. لانه هو العمل والهدف الأساسي للشركة، نستخدم بند الايراد للتوقعات المسقبلية الخاصة بالتدفق النقدي..
EA3	268	أن المستثمر للاستثمارات السريعة وغير طويلة الأجل بشكل عام يهمه المجاميع ولا يهمه التفاصيل. لكن للمستثمرين طويلي الأجل أعتقد أنها مفيده اكثر لبناء قراراته المستقبلية. ايضا أنها افضل للمحللين طويلي الأجل.
P5	268	أعتقد ان المعلومات بموجب المعيار الجديد اكثر فائدة لمحللين القوائم المالية مقارنة مع المستثمرين او المستخدمين بشكل عام. أن المستثمر بأعتقادي يهتم بالمجاميع اكثر من التفاصيل مثل الاساس الذي تم تطبيقه في

		الافصاح عن صافي الدخل ومجموع الأصول. كمحلل، هذه المعلومات تمثل المعلومات الداخلية للشركة، وعليه فأنها مفيده لتقييم الاحداث المستقبلية.
P1	269	أن المعلومات بحسب المعيار الجديد تركز على الايرادات، الاصول، وصافي الربح و الخسارة وأعتقد أن هذه البيانات هي الاكثر اهمية بالنسبة للمستثمرين و المحللين في سوق عمان المالي.
U12	270	تلبي اكثر، لانه قد تم الأفصاح عن معلومات اكثر، ما لاحظته في معظم التقارير السنوية أن متطلبات المعيار السابق يتم الافصاح عنها مع وجود بيانات جديده، وهذا يطمئني انا كمستثمر بالاعتماد على هذه المعلومات في قراراتي الاستثمارية.
U14	270	نعم، شخصيا انا اثق بالبيانات المفصح عنها بموجب المعيار الجديد اكثر من المعيار السابق. أن مجلس معايير المحاسبه الدولية أصدر شي جديد ليلغي القديم، و اعتقد ان الجديد دائما افضل.
EA7 and EA8	272	نعم افضل، لانه يحدد بشكل واضح ما هي قطاعات الشركة على اساس نهج الأداره، فالأداره تصبح بدراية اكبر على قطاعاتها. وهذا ينعكس ايضا على مستخدمي القوائم المالية.
EA7 and EA8	274	نعتقد انه اقل، لانه يخدم الأداره واهدافها بشكل افضل من المستخدمين. أن هذا المعيار هو سيف ذو حدين، حيث يتم الافصاح عن المعلومات التي تخدم مصالح الأداره في المقام الاول.
P2	275	أن سنة 2009 هي سنة التطبيق الأولى لمعيار التقارير المالية الدولي رقم 8. ولا أعتقد أن هذه الخاصية يمكن تحديدها في الوقت الحالي، وخاصة للمقارنة في البيانات المالية لنفس الشركة.

Note: This table shows the major (more than two lines) quotations that are employed in Chapter 7 in the Arabic language as spoken by the interviews. This provides a better understanding for the Arabic reader about the participants' experiences and perceptions of the themes about IFRS 8 that are addressed in Chapter 7.